THE CHURCH OF ENGLAND PENSIONS BOARD

ANNUAL REPORT 2009

Contents

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Further copies of this report may be obtained from the above address.

Relevant sections of this report have been prepared in accordance with the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 and the accounts in accordance with Sections 41(1) and (6) of the Pensions Act 1995

The Board is a Registered Charity No 236627. The Board is registered with the Financial Services Authority No 441548.

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Our Mission

Our mission is to administer efficiently the pensions, housing, retirement home schemes and charitable funds entrusted to us to provide the best possible support and care to those who have retired from stipendiary and lay ministry within the Church of England and their dependants

The principal powers and responsibilities of the Board, first established in 1926, can be summarised as follows:

- **to act as administrator of the clergy pensions scheme and trustee of the fund providing benefits in respect of service from 1 January 1998**
- **to act as trustee and administrator of the Clergy (Widows and Dependants) Pension Fund, the Church Workers Pension Fund and the Church Administrators Pension Fund**
- **to administer the Church's retirement housing schemes**
- **to act as trustee of two charitable funds providing:**
  - **housing assistance, supported accommodation and nursing home care for retired clergy, widow(er)s, deaconesses and licensed lay workers**
  - **discretionary augmentation grants for beneficiaries on low incomes**
- **to act as administrator under the Ordination of Women (Financial Provisions) Measure**

Introduction

2009 was a demanding year with difficult decisions needing to be taken regarding not only the pension schemes we administer but also our retirement housing provision. Investment markets continued to tumble in the first half of the year, and whilst they recovered partially later in the year, they closed some 18% below their peak in 2007.

In last year's report I referred to the Task Group reconvened by the Archbishops of Canterbury and York to explore the options for the future of our largest pension scheme, which provides retirement benefits to the clergy and their dependants. The Group reported three times and set out various options for the future structure of the scheme including retention of the existing defined benefits scheme, the introduction of a defined contributions scheme, and a hybrid of the two. Following a period of consultation with the 'responsible bodies' participating in the scheme, the Group recommended to the Archbishops' Council the retention of the existing defined benefits structure but incorporating changes designed to bring the cost within affordable limits. These included extending the pensionable age for future service from 65 to 68, increasing the period necessary to earn a full pension, capping future increases in the pensionable stipend and contracting into the State Second Pension with a consequent adjustment to the scheme pension; and undertaking some further work on hybrid schemes to report back to Synod in 2011. The recommendations were accepted by the Council; and were debated and approved by the General Synod at its February 2010 Group of Sessions. The proposed changes are currently out for consultation with the 9000 scheme members before returning to the Synod in July. Throughout 2009, the Board followed closely the consultation process and considered the various reports at each of its meetings. It has also participated at both member and staff level in the work of the Task Group.

The National Church Institutions also held a consultation regarding benefit changes with the members of the defined benefits section of one of our smaller schemes, the Church Administrators Pension Fund, which provides pensions for their staff. Changes to the Scheme in 2006, including closing it to new members, had not mitigated the effect of the downturn in the economic situation and other funding pressures, and the actuarial valuation at the end of 2008 showed a substantial increase in the funding deficit and the cost of providing future benefits. The consequent effect on the contribution rate was not felt affordable by the employers, including the Board. Changes to the future service benefit were agreed and will be implemented with effect from 1 July 2010.

Towards the end of the year the Board's investment strategy came under attack in the press. Supported by our professional advisers, we robustly defended our policy to invest in the manner that we have, particularly given that the main pension liabilities of our largest scheme lie well into the future. We continue to invest in the assets which over the longer term have historically produced the best overall results. The Board has continued to diversify its

investment portfolio to spread risk including investing tactically in a corporate bond portfolio, though the permanent move of part of the portfolio into fixed interest securities under the present funding plan for the clergy scheme only begins in 2017. To mitigate risk further, the Board has appointed Northern Trust to manage a passive currency hedging programme on its behalf to protect the asset base invested overseas from fluctuations in the currency markets. Following a review of our investment managers, we switched part of our global investment mandate from UBS to RCM during the course of the year.

During the year we continued to provide housing for retired clergy both through the CHARM scheme and through our supported housing schemes. The shared ownership scheme introduced in 2007 to replace the equity sharing mortgage scheme, remained popular. A substantial amount of work has been done to evaluate the most appropriate option for funding the CHARM scheme, given the Church Commissioners' decision to cease its support for further borrowing beyond July 2010. We remain confident that a new arrangement with a different lender can be put in place so that the scheme can continue largely unchanged after this date.

The supported housing and nursing home operations continue to be subsidised through donations from our charitable funds although we have been successful in reducing that subsidy by around 25% over the last 3 years. We have been continuing our consultations with existing residents of the schemes to shape the services that we can provide and are sustainable into the future. These consultations have at times been difficult and our staff have sought to ensure that we do not cause any unnecessary anxiety to our residents. The promotional film produced last year highlighting each of the supported housing schemes remains popular and has helped to achieve increased occupancy levels at all the schemes.

In the coming year, we will be looking at how best we can provide support to those beneficiaries who are suffering from dementia. There is a real and growing need in this area, and the Board is exploring the feasibility of converting part of its Manormead nursing home in Hindhead, Surrey, into the Board's first dementia care unit.

Whilst 2009 was difficult and there is no lack of challenges going forward, we will work to ensure that we can continue to provide a high quality and professional service in all areas of our activity to the Church, our beneficiaries, and the members and employers of the pension schemes which we administer.

Jonathan Spencer
Chairman

For over 80 years we have been charged with administering the retirement provisions of clergy and others associated with the Church of England

The Church of England Pensions Board …

Administers pension schemes with over 32,000 members for over 250 sponsoring employers

Paid out benefits totalling £142.4m in 2009 (including £110.4m in respect of pre-1998 service on the clergy scheme)

Collected £96.1m in contributions during 2009

Provided almost 3,000 retired clergy households with retirement accommodation through the CHARM scheme

Supported and maintained seven Christian retirement communities through its network of supported housing schemes

Provided 24-hour nursing care to the more frail and needy retired clergy at our Manormead Care Home

Managed funds totalling around £1 bn

Stained glass in the Chapel at Manormead, Surrey

Organisation and Governance

The 20 members of the Board represent a balance of skills and expertise and are drawn from a wide range of constituencies. Only four of the members are appointed, with the remainder elected for a six-year term by the employers and members of the pension schemes, and by members of the General Synod. The majority of members also serve on one or more of the Board's three sub-committees. The Board can co-opt others who bring a particular expertise to serve on its committees.

The names of members of the Board for the period 1 January 2009 to 30 June 2010 are set out at the back of this report. The Board met five times throughout 2009. Members' attendance at Board and Committee meetings during 2009 are shown below.

	Board (5)	Audit (3)	Housing (3)	Investment (7)
Board Members				
Dr Jonathan Spencer CB (Chairman)	5		2	2
The Rt Revd R F Blackburn (Vice Chairman)	4			3
Mr T C Hind FCII (Deputy Vice Chairman)	4			
The Ven P Ballard	1		1	
The Revd R G Billinghurst FIA	5	3		
The Revd N Bourne (from 17 November 2009)	1			
Dr J G Campbell FCA	4	3		
Mr I M Clark	5			7
Mr A K Fletcher FCII	3			
Mr D C Froude ACIB (from 1 July 2009)	1			
The Revd Canon I E Gooding	3		3	
Mr C Hawkins	5			7
Canon H A Marsh	5	3		
Mr P W Parker TD FIA	3			7
Mr C J Peters	4			6
The Ven H I L Russell (to 15 September 2009)	3		2	
Canon N Sherlock OBE FSI ASIP CCMI (to 30 June 2009)	2			3
Mr R M Stevens	5			
Mr T J P Stevenson AIA APMI (to 17 October 2009)				
The Rt Revd D S Walker	4		2	
Mr P Hamlyn Williams FCA	4	3	3	
Mr I R M Woolf FCIB	5			
Co-opted Members				
Mrs D Clarke				6
Mrs J Clarke			3	
Mr M Powell				5

The Investment Committee, chaired since July 2009 by Clive Hawkins, supervises the Board's investment fund managers and implements the investment policy set by the Board. It has the power to select, review and deselect, where appropriate, investment managers and the custodian. It also monitors investment performance and compliance with the Board's ethical investment policy. In 2009 it met seven times.

The Housing Committee, chaired by the Rt Revd David Walker, oversees the operation of the CHARM housing scheme and the supported housing schemes. In 2009 it met three times.

The Audit Committee, chaired by Phil Hamlyn Williams, monitors the integrity of the Board's financial statements, reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process. It also reviews the Board's internal control and risk management systems, and monitors and reviews the effectiveness of the internal audit function. During 2009, it met three times.

Risk Management

Our policy and management frameworks aim to limit the level of risk in the conduct of our business. In 2009, the major risks facing the Board were reviewed and updated by the senior staff and the Audit Committee initially and subsequently by the Board. They were satisfied that suitable control systems remain in place. The Board also place reliance on the control systems applicable to the shared service departments managed by the other National Church Institutions. The Board's staff received training in risk management at a residential training session held in the autumn.

At staff level, the Board's Secretariat keeps the risk register updated and ensures the timely review of key business risks by the relevant trustee body. Key risks external to and within our organisation, are identified by area of business activity. General risks relate to the operational ability to carry out our business and include the loss of key staff, the underperformance of staff and disruption to the use of Church House. Within Finance, the risks include the failure of systems to deliver our core financial requirements, fraud, and the placing of contracts which exposed the Board to unacceptable conditions or liabilities. We also recognise and review in this area the risks faced from various specialist activities including the unitisation of our investment pool, and our treasury management requirements.

The Board manages around £1bn of assets. These underpin our activities in pensions and housing, and we identify and carefully monitor the associated risks. These include not only the underperformance of these assets which would inhibit the Board from fulfilling its mission, but also compliance with ethical policies and the risk of fraud carried out by our fund managers.

In the operation and administration of the various pension schemes, we pay close attention to the risks identified not only of ensuring that we operate correctly within the regulatory environment, but also importantly that the pension benefits are not miscalculated, and that the appropriate contributions are received from employers.

With the refinancing of our CHARM scheme, we face additional potential risks from a number of external, economic factors including house price inflation and interest rate changes. This is in addition to risks faced through the general operation of CHARM and our supported housing schemes.

Risks are identified and graded by likelihood and impact; remedial and mitigation measures are set out, and the resulting residual risk assessed. Mitigation measures can include segregation

of duties, clear policies being in place, and the use of systems with inbuilt, tested and appropriate control mechanisms. Where mitigation does not bring the risk down to a low ranking, consideration is given as to what action can be taken, if any. Risks are assigned to senior staff to manage.

We regularly review the appointment of our professional advisers. We have a five year business plan which sets out a rolling programme of reviews. In 2009 the appointment of several investment fund managers was reviewed.

Board Membership

New Board members receive an induction into the work and practices of the organisation. All receive a copy of our handbook which outlines their responsibilities and includes copies of the rules and other documentation for each pension scheme, and policies relating to the provision and operation of retirement housing assistance.

The Board corporately receives regular training sessions and in 2010 will be holding a residential meeting. Twelve members of the Board have completed either fully or partially the Pensions Regulator’s Trustee Toolkit, or an equivalent qualification.

Members serve for a six-year term with elections held for 16 of the positions on a rolling basis every two years. At the end of 2009, elections for eight members of the Board were held.

During 2009, we said farewell to Canon Nigel Sherlock and the Ven Ian Russell, who had chaired the Investment and Housing Committees respectively. Both had served the Board for many years and felt it was time to step down from their roles. We also sadly lost the services of Trevor Stevenson who died in October after a long illness. As a result of the various elections, some members either did not stand again or were not re-elected by their constituency. We were sorry to lose the services of Robin Stevens, Inigo Woolf, the Revd Canon Ian Gooding and the Rt Revd Richard Blackburn, the Board’s Vice Chairman. We owe them all a huge debt of thanks for their contribution to the Board’s work.

During the year we welcomed Alan Fletcher, James Archer and the Revd Nigel Bourne who were elected to fill casual vacancies which arose in the membership of the Board. We also welcomed the appointment of David Froude by the Archbishops of Canterbury and York following a consultation with representatives of the dioceses. John Ferguson, the Revd Paul Boughton, Canon Sandra Newton and Simon Baynes were elected to serve on the Board until December 2015. All of them bring fresh skills to the Board and its committees on which they serve and we look forward to working with them.

Staff and Administration

The number of staff for whom the Board are the managing employer was 61 at the end of the year (55 at the end of 2008). In addition we employ 197 full and part-time staff at our supporting housing schemes, including managers, nurses, activities staff and gardeners. We draw on shared services such as information technology, records management and financial accounting provided by the Church Commissioners, and legal, communications and human resources provided by the Archbishops’ Council.

From the start of 2009, the Board took over the role of managing the Internal Audit Department from the Archbishops’ Council. The department of seven audit and support staff, headed by Kim Parry, provides a shared service to the Board and the other National

Church Institutions, helping them to accomplish their objectives by evaluating and suggesting improvements to the effectiveness of risk management, control and governance processes. In 2009 they conducted a review of the Board's governance processes and controls, the recommendations of which are being implemented.

Lee Marshall joined the Board's staff in April 2009 in a new policy and governance role, managing and strengthening the Central Secretariat team. Maria Jacobs joined the Housing team during the year as Deputy Housing Manager, with particular responsibility for the Shared Ownership scheme; and Chris Roberts joined the Pensions department to manage the administration of the lay worker pension schemes.

18 staff undertook sponsored studies for essential job qualifications and career development, and the majority of staff attended a residential training session in the autumn which focused on risk management and customer care issues. Staff also took part in training courses on a variety of topics including management development, fair selection interviewing, equal opportunities awareness and a range of health and safety related matters.

IT Systems

The Board, and the Church Commissioners, went live in January 2009 on SAP, a new financial and real estate information management system. The system is now implemented across all of the National Church Institutions and provides the organisations for the first time with a shared financial platform. SAP replaced some 22 legacy systems across the organisations which were approaching the end of their useful lives. All new users of SAP were trained for their role in operating the system. They are supported by training notes on the staff intranet as well as a network of experienced users and a help desk.

Investment Management and Policy

Introduction

The Board administers a number of pension schemes and the assets of these schemes are pooled for investment purposes. This allows the smaller schemes to access economies of scale and investment opportunities that might not be available to them otherwise. The shares in the pooled funds attributable to each pension scheme are established on a unitised basis every month.

For the pension funds, the Board operates a "Return Seeking" pool, comprising of equities, property unit trusts, active currency, corporate bonds and cash; and a "Liability Matching" pool, consisting mostly of UK Government bonds. Detailed commentary on the performance of these pools is set out below.

The Board's charitable funds are managed by CCLA Investment Management through holdings in the CBF Church of England Investment Fund, which is a common investment fund established by the Church Funds Investment Measure 1958.

Market Commentary

2009 proved to be a rollercoaster year for investors, particularly those involved in equity markets. At its lowest point in 2009, on 3rd March, the FTSE All Share Index was down 18.7% over the year to date, but from there it rallied almost 60% to end the year up 30.1%. The recovery in overseas equity markets followed a similar trajectory, although the gains in terms of Sterling over the year were lower at 21.2%, having been tempered by the quite material appreciation in the currency.

The trigger for the equity market's recovery was a range of actions taken by governments which pumped money into the global financial system. In the UK this included the injection of capital into certain banks and the Special Liquidity Scheme, as well as "quantitative easing". Under the quantitative easing programme, the Bank of England bought mainly gilts but also some corporate bonds from banks and institutional investors, with payment being by crediting the seller's account with the central bank rather than by printing more banknotes.

These policies were not aimed at equity markets, but by starting to unblock credit channels they created an environment where positive rates of growth and inflation could be established. The threat of entrenched deflation dissipated and investors felt encouraged to take on risk again.

The great extent to which they did so towards the end of the first quarter surprised most market observers. The bulk of the gains from equity markets were concentrated in the financials and resources sectors and other more risky, and arguably speculative, areas. In the UK the mining sector rose 213% over the year and the Banking sector by 73% from the end of March. The returns from a number of sectors, where recovery potential was not so apparent, and from many well but conservatively run companies were substantially below those of the broader indices.

The effect of quantitative easing on bond yields was less clear, as they remained low through most of the year, bottoming at around 3% in March in the UK and Europe, before rising moderately towards the end of the year. However, as the £200bn of Gilts issued in the UK during the year was four to five times more than that issued in a normal year, it is arguable that the policy was a strong factor in stabilising yields.

The continued strong demand for inflation-proofing by UK pension schemes led the FTSE over 5-year index-linked index to give a total return 5.6% over 2009, substantially outperforming the FTSE all stocks gilt index which returned just 1.2% over the year. The best fixed-interest returns of the year however came from the corporate sector, with the iBoxx sterling non-gilts index returning 8.0%.

Property returns were low over the course of 2009, but at least positive for the first time in three years, with the IPD monthly index producing an All Property return of 2.2%. The Board's investment in property is through a portfolio of property unit trusts and the benchmark for this, the IPD Property All Pooled Funds Index, returned less than directly owned property at -5.4%.

The start of the recovery in property generally came towards the end of the second quarter, later than it did for other economically sensitive assets, with a substantial closing of the discount to net asset value at which listed real estate companies traded. The capital values of underlying property assets began to recover in July and the second half of the year saw a total return of over 17% from the IPD monthly index as a substantial weight of institutional money came into the sector. This was without any marked improvement in the occupational market, where rents fell across the board.

Investment management

The management of the return-seeking pool is split between six managers:

- Auriel Capital Management LLP, operating a pooled active currency fund
- CBREI and DTZ Tie Leung for property unit trusts
- GMO (UK) Ltd for UK and overseas equities
- Legal and General Assurance (Pensions Management) Limited for UK equities and corporate bonds
- RCM (UK) Ltd for overseas equities

Insight Investment Management (Global) Ltd is the manager of the liability-matching pool and manages the Board's index-linked gilts.

A change in management arrangements was made in mid-year, with RCM taking over the non-UK equity mandate formerly run by UBS. The transition was handled by JP Morgan. This was the first time that the Board had used a specialist manager for this task and as a result the costs of making the change were kept to a minimum. The total cost of switching manager, including legal and investment advice as well as the transitioning costs, was 0.43% of the value of the assets involved. The costs, if a specialist manager had not been used, would have been in the region of 2% of the value of the assets involved.

CBREI were appointed to manage a portfolio of property unit trusts with effect from 1 April 2010.

The decision was made to implement a passive currency hedging programme in order to reduce the risk associated with currency movements for the return-seeking Pool. This covered half the Pool's exposure to the Euro, Yen and US Dollar and was implemented at the start of January 2010.

The Investment Committee spent a substantial part of its meetings in the second half of the year looking into alternative asset classes and for 2010 it has plans for the return-seeking Pool to make investments in Global Tactical Asset Allocation, commodities and property.

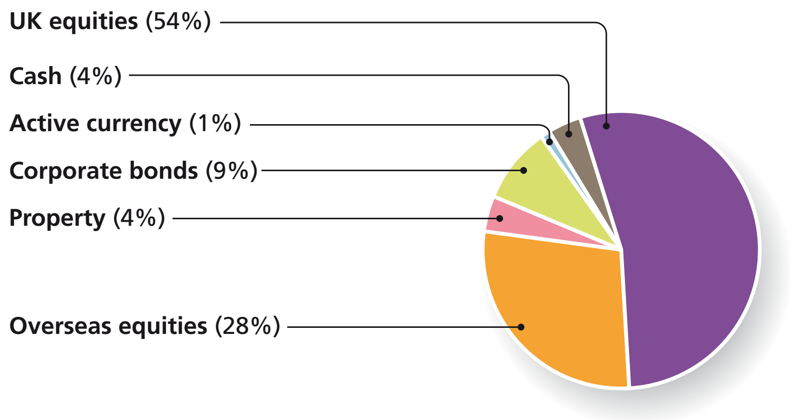
Accumulated and incoming cash was invested in corporate bonds and overseas equities during the year.

Mercers continue to act as investment consultant to the Board. They advise on asset allocation and investment decisions and in the ongoing monitoring of the investment fund managers. Northern Trust act as custodian for the pooled investments as well as independent measurer of investment performance.

Investment Performance

Return Seeking Asset Pool

The Return Seeking Asset Pool was invested diversely in a range of assets and asset classes throughout the year. At the year end, the asset mix was as set out below.



The Board's return-seeking pool returned 19% over the course of 2009, compared to a return of 20.3% from a consolidation of the benchmarks used by its managers. Detailed performance figures by asset class are set out in the table below.

	1 year % pa	3 years % pa	5 years % pa
Return Seeking Asset Pool return	19.0	-2.2	4.8
Consolidated pool benchmark	*20.3*	*-1.2*	*6.2*
UK Equities	29.5	-2.3	4.9
Consolidated UK equity benchmark	*30.4*	*-1.4*	*6.4*
Non-UK Equities	13.3	-0.2	4.6
Consolidated non-UK equity benchmark	*17.1*	*1.8*	*8.0*
Property (from 21/2/2006)	-6.0	-14.1	-
IPD All Pooled Funds Index	*-5.4*	*-15.3*	-
Alternatives – Active Currency (from 29/1/2008)	-8.9	-	-
Sterling 1 month LIBOR	*1.0*	-	-
Corporate Bonds (from 10/2/2009)	10.8	-	-
iBoxx Sterling non-Gilt (ex-BBB) Index (from 10/2/2009)	*10.8*	-	-

The main cause of the underperformance was the disappointing relative performance in non-UK equities. Each of the managers used by the Board in this asset class, GMO and RCM, runs an active mandate and the relative performance of each was affected by the bias of the equity market rally towards highly geared, cyclical companies.

GMO's relatively cautious and gradualist approach to portfolio construction led it to expect at the beginning of the year that investors would not start to take on more risk in the short term. However, as described above, the equity market was driven by strongly speculative forces from late March onwards and this did not favour the kinds of stocks that GMO typically invests in. GMO returned 11% over the year, 5.2% less than its benchmark.

For RCM, which took up the overseas mandate formerly run by UBS in July, its first quarter for the Board was hit by the firm's bias to large quality companies. However this reversed to an extent in the second quarter when RCM's strong stock selection generated an outperformance against its benchmark as the equity market re-focused on fundamentals. RCM returned 23.8% over the second half of the year, 1.9% less than its benchmark.

In UK equities, the Board employed two managers: GMO, with an active mandate that uses similar quantitative techniques to those applied in the non-UK equity portfolio, and Legal & General, which runs a passive mandate benchmarked against the FTSE 350 index adjusted for the exclusion of the Board's ethically restricted stocks. GMO underperformed in the UK by 1.8%, and the reasons for this were effectively the same as for its underperformance overseas. Legal & General outperformed by 0.1%, which was well within the target range for its tracking error.

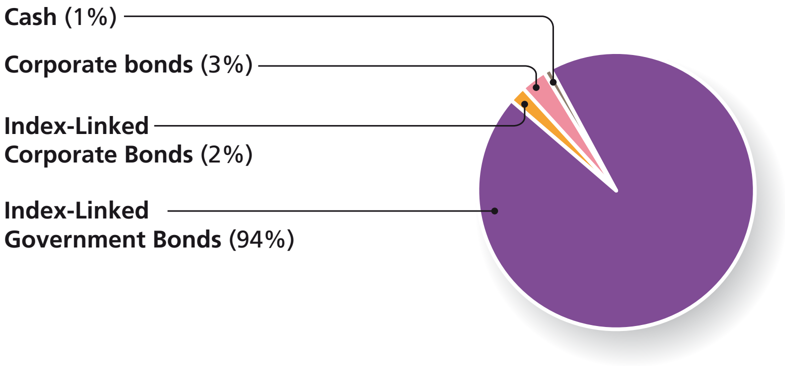
The Board's portfolio of property unit trusts is managed by DTZ; an additional allocation to this asset class was given to CBREI in April 2010. Although a relative underperformance of 0.6% was recorded over the year, the portfolio had performed well until the end of the third quarter after which it was impacted by its large holding of cash as the pricing of property units moved rapidly from discount to premium in response to the very strong flow of cash into the sector. DTZ did however successfully deploy most of the mandate's cash in December.

The Board's small allocation to active currency produced disappointing returns and will be reviewed in 2010.

The Pool's investment in corporate bonds is passively managed by Legal & General. The benchmark for this investment is the iBoxx Sterling non-Gilt (ex-BBB) Index which emphasises higher credit quality bond issues. The Board's investment, which was made in stages through February and March, returned 10.8%.

Liability Matching Pool

The liability-matching pool was mostly invested in index-linked government bonds throughout the year. At the year end, the asset mix was as set out below.

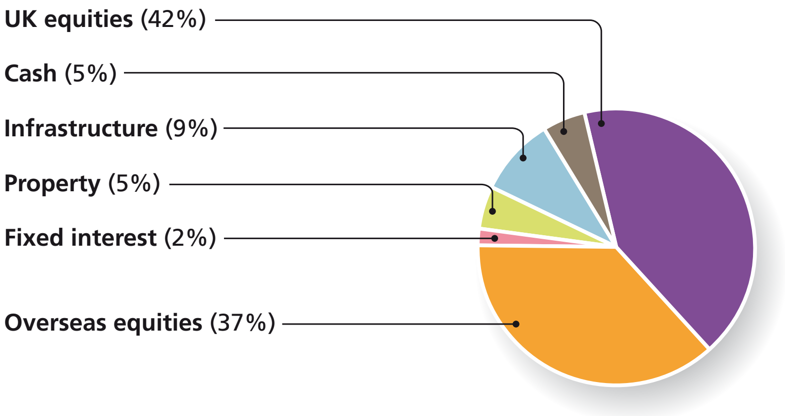


The Pool's investments are managed exclusively by Insight on an active basis and have the FTSE UK Over 5-Year Index-Linked Gilt index as its benchmark. The Pool performed well over the year, returning 8.1% compared to the benchmark return of 5.6%. A significant contributor to this was Insight's positioning of the portfolio on the yield curve. At the start of the year it was overweight in long duration bonds, but took profits in the summer before tilting the portfolio in favour of short duration bonds towards the end of the year, and this move was also profitable. Over three years the Pool returned 7.3% p.a. (benchmark: 5.8% p.a.) and over five years it returned 7.1% p.a. (benchmark: 5.9% p.a.).

Charitable Funds

The Board's charitable funds are managed by CCLA Investment Management through holdings in the CBF Church of England Investment Fund and the CBF Deposit Fund.

The CBF Investment Fund is well diversified and through active management aims to generate capital appreciation and rising income over time. At the year end, the asset mix was as set out below.



Performance is reported in comparison to a composite benchmark, which has an 80% allocation to equities (split 60% to the UK market and 20% to markets overseas), 10% to property and 10% to Government bonds.

The performance of the two funds in which the charitable funds were invested, together with the asset allocation to each fund is set out in the table below.

	Value £m	Allocation	1 yr %pa	3 yrs %pa	5 yrs %pa
CCLA CBF Investment Fund	27.8	91%	15.5%	-1.5%	5.6%
Composite benchmark			21.8%	-0.4%	6.2%
CCLA CBF Deposit Fund	2.7	9%	1.5%	4.4%	4.6%
7 day LIBID			0.6%	3.7%	4.1%
	30.5	100%			

Against the difficult investment environment in 2009 the Fund achieved its key objectives. The income payment was increased at a rate greater than inflation, and although the Fund's overall return of 15.5% was less than the benchmark this was achieved with just over half of the volatility of the UK equity markets. The fund was under represented in the more speculative recovery sectors of the equity market and resources stocks, which led the market rally.

All investment managers used by the Board are appropriately authorised or exempt under the Financial Services and Markets Act 2000.

Investment Policy

The strategy for the investment of the Board's pension fund assets takes into account the Board's ethical policy and the relative maturity of each scheme's liabilities as reflected in contributions receivable and benefit outgoings. The Board takes the advice of the Scheme Actuary in determining the asset split between the two pools for each Scheme.

The various schemes' strategy was to be invested as follows:

	Return Seeking Pool	Liability Matching Pool
Church of England Funded Pensions Schemes	100%	
Clergy (Widows and Dependants) Pension Fund*	60%	
Church Workers Pension Fund		
Defined Benefit Scheme	100%	
Life Risk Section	25%	75%
Defined Contribution Scheme	75%	25%
Church Administrators Pension Scheme	69%	31%

* 40% of the assets of the Clergy (Widows and Dependants) Fund are held outside the CEIFPS in index-linked securities and other deposits funds

Statement of Investment Principles

A new Statement of Investment Principles ("SIP") and associated documents were approved by the Board in June 2009.

The SIP covers the pension funds for which the Board is corporate trustee as well as for the common investment fund. It covers the strategy and management arrangements, including custody of securities, ethical factors and restrictions within which the managers operate and use of voting rights. A copy of the SIP is available on request.

Management Charges

Each manager charges fees based on the value of the funds it is managing. In 2009 these fees (including those charged by Northern Trust as custodian) were £1.7m. This equated to 0.2% of the average value of the funds under management.

Socially Responsible Investment

The Pensions Board is committed to managing its assets in a way that reflects the Church's teaching and values. We help to fund, and receive both advice and support from, the Church's Ethical Investment Advisory Group (EIAG) on all issues relating to the ethics of investment.

The EIAG includes representatives of the General Synod, the Archbishops' Council and the Council for Mission and Public Affairs, as well as the Church's national investing bodies. Some members bring experience of ministry, theology and ethics; others experience of living out Christian values in the worlds of business and investment. The Board is represented on the group by Ian Clark, one of our Board members, and by Shaun Farrell, Secretary and Chief Executive of the Board. The EIAG has a permanent Secretariat backed up by external research support.

The Board relies on the EIAG for advice about areas of investment to avoid for ethical reasons. We avoid investment in pornography and armaments companies. We do not invest in companies if a major part of their business activities involves the production or supply of tobacco products or alcoholic drinks. Nor do we purchase shares in companies substantially involved in gambling, doorstep lending or human embryonic cloning.

The EIAG regularly reviews its policy advice on areas of investment to exclude and worked in 2009 to develop new defence and alcohol investment policies. These will be finalised, agreed and implemented in 2010.

The EIAG's publications include an annual report which is submitted to General Synod. The Ethical Investment Policy which has been adopted by the Board and all the Church investors is set out in Appendix 4.

Positive ethical steps

The Board receives advice from the EIAG not only on areas of investment to avoid but also on positive steps it can take to reflect the Church's teaching and values in investment practice. Our asset managers are encouraged to invest in companies with responsible employment practices, best corporate governance practice, conscientiousness with regard to human rights, sustainable environmental practice and sensitivity towards the communities in which the business operates.

The Board takes the ability of fund managers to integrate environmental, social and governance (ESG) factors into their investment processes into account in its appointment of new managers. Its investment consultants assess firms shortlisted for new investment management mandates for their ESG capabilities. RCM, the manager appointed most recently by the Board, scored highly in this regard.

Climate Change Considerations

Shaun Farrell, on behalf of the Board, joined over 100 Chief Executives and Chief Investment Officers of institutional investors in signing the "2009 Investor Statement on the Urgent Need for a Global Agreement on Climate Change" before the December 2009 Copenhagen summit.

Additionally, we are encouraging our asset managers to take account of the investment implications of climate change and encouraging companies in which we invest to integrate climate change considerations into their business strategy, especially by measuring and reducing greenhouse gas emissions.

The Board has newly taken up membership of the Institutional Investors Group on Climate Change, the European body for institutional investors concerned about climate change.

Engagement with companies

The EIAG engages on ethical issues on the Board's behalf with companies in which we invest. Engagement activity in 2009 has included talking to banks about the financial crisis and mining companies about their involvement in controversial projects. It has also maintained regular dialogue with major supermarkets about a range of issues from responsible retail of alcohol to buying practices from both UK farms and developing countries.

The EIAG's most intensive engagement effort in 2009 was with the UK-listed mining company, Vedanta Resources, about its Lanjigarh refinery and proposed bauxite mine in the Niyamgiri hills of Orissa, India. Edward Mason, the EIAG's Secretary, travelled to India to see the refinery and mine site at first hand and spent time with ActionAid during his visit seeing communities affected by the refinery. The company made itself available for high level dialogue but the EIAG was not satisfied that Vedanta had shown, or would in future be likely to show, the level of respect for corporate governance, human rights and local communities that the Church investing bodies expect of companies in whom they hold shares. The EIAG recommended in early 2010 that the investing bodies sell their shares on ethical grounds and the Board acted on this recommendation.

Proxy voting

Voting our shares is an essential component of the way we practise responsible ownership of companies. We have continued to vote against excessive remuneration of business executives and have implemented an improved proxy voting system in 2010 that will enable us to vote consistently in line with our principles across all of our global share holdings.

Statement of the Board's Responsibilities

The Board's responsibilities include ensuring that adequate records exist which disclose with reasonable accuracy at any time the financial position of each of the pension schemes and the charitable funds and trusts, and which have enabled the Board to prepare financial statements that comply with the Charities Act 1993 ('the Act') or with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 ('the Regulations') and with the relevant Statement of Recommended Practice for Accounting and Reporting.

The Regulations and the Act require the preparation of financial statements which give a true and fair view, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) of the financial transactions during the year and of the amount and disposition at the end of the year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

The Board has ensured that:

- there is an up-to-date Schedule of Contributions in place for each pension scheme, showing the rates payable and the dates by which they are due, and that the receipt of contributions is monitored in accordance with the schedule;
- where breaches of the schedule occur, the Board is required by the Pensions Act 1995 and 2004 to consider making reports to the Pensions Regulator and to members;
- suitable accounting policies are selected and applied;
- when judgements or estimates are made, they are reasonable and prudent;
- applicable accounting standards have been followed, subject to disclosure and explanation of any material departures in the financial statements;
- the financial statements are prepared on a going concern basis.

The Board is responsible for making available certain other information in the form of an Annual Report.

The Board is also responsible for safeguarding the assets of the pension schemes and of the charitable funds, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Church of England Pensions Board: Charitable Funds

This section of the report has been prepared in accordance with the Charities SORP 2005. The administrative structure of the Board and the details of its trustees and advisers are set out at the back of this report. Its administrative expenses are set out on pages 86 to 88.

Manormead, Surrey

Introduction to the Charitable Funds

Objectives

The Board administers its charitable funds, in accordance with the requirements of the Charities Act 2006, to provide the best possible support and care to those who have retired from stipendiary and lay ministry within the Church of England and their dependants.

It fulfils these objectives by:

- Providing access to retirement housing assistance to those who have been unable to make their own provision;
- Providing accommodation in our supported housing schemes for those who feel unable to live independently, with charges set according to an ability to pay; and,
- Providing augmentation grants both to retired clergy or their surviving spouses whose income would fall below an agreed minimum standard.

These objectives are financed from gifts, legacies and investment income. All donations are placed in the Board's General Purposes Fund, for the benefit of clergy pensioners in need and their dependants.

Public Benefit

We provide support and assistance to those who are retiring from stipendiary ministry at a time in their lives when they are potentially at their most vulnerable.

They are not only adjusting to retiring from full-time work, but unlike most people in this position, they are also often leaving tied accommodation and moving away from the communities where they have played a pivotal and central role, and for whom they may have served for many years.

This assistance is provided on the basis of an assessed ability to pay, rather than at a full cost recovery.

The benefit provided by the Board can be measured through:

- The provision of retirement housing assistance to those members of the public, and their dependants, who have served the Church of England in a stipendiary role;
- The provision of safe and caring communities for retired clergy and their dependants who no longer feel able to live independently;
- The provision of nursing care in a supportive, Christian community to those retired clergy and their dependants who can no longer look after themselves and need 24 hour assistance and support;
- Setting fee levels on our rental homes and at our supported housing schemes based on an ability to pay; and,
- Ensuring that retired clergy, and their surviving spouses, have a minimum income standard by which to live out a fruitful retirement and play a full role in the community. In 2009, we provided grants to 144 clergy, their surviving spouses and civil partners.

Charitable Activities

Full details of our charitable activities are set out on the following pages.

During 2009 and into 2010, we have explored what provision we can make for those of our beneficiaries who are suffering from dementia. There is a growing need for specialist nursing support of this type, and we will be looking at all of our housing schemes to assess whether further provision can be made.

In 2010, we will continue to provide and expand on our charitable provision ensuring that our beneficiaries receive a high quality and professional service.

Retirement Housing

The purpose of the retirement housing scheme – the Church Housing Assistance for the Retired Ministry, or CHARM – is to assist those vacating "tied" accommodation with the provision of somewhere to live. It is intended to support those who would not be able to make their own provision for retirement housing. Approximately 3,000 retired clergy and their dependants are currently assisted through CHARM.

CHARM is a discretionary facility and the Board specifies a number of parameters relating to the size and type of property which is available, as well as the form and amount of assistance which is available.

The rental housing has mostly been purchased with finance from the Church Commissioners. For investment reasons, the Commissioners decided to withdraw their funding of new CHARM properties with effect from 30 June 2010. The Board is in the course of arranging an alternative finance source for the scheme, so that it will be able to continue meeting the needs of those who call on it for housing support.

The cost of administering CHARM totalled £937,000 in 2009. The scheme is subsidised through Vote 5 of the Archbishops' Council's budget. The total subsidy for 2009 was £3.1m.

Detailed information on eligibility and access to the retirement housing schemes is available on the Board's website.

Shared Ownership

The Shared Ownership Scheme was introduced in 2008 in place of the value-linked mortgage scheme, which closed to new applicants in April 2008.

Property can be purchased by the Board in partnership with the beneficiaries, with beneficiaries making a minimum contribution of 25% of the property cost, and the Board making a maximum capital contribution of £150,000.

	2009	2008 (nine months)
Number of New loans	27	13
Total Sum Loaned	£2.7m	£1.3m
Average Loan	£100,000	£108,000
Average Property Value	£183,500	£180,000
Average loan as proportion of property value	55%	60%

Beneficiaries pay rent, based on the Board's capital share of the property, and a service charge, which reflects the likely cost of maintaining and insuring the property. Properties are inspected

on a five-year basis and the service charge calculation allows beneficiaries to smooth the cost of repairs and maintenance over a period of time.

The service charge is reviewed every six months, whereas the rent is increased in line with the weighted increase in the full Church and State pensions for a married couple. The rent increase in April 2009 was 5%.

Rented properties

Where beneficiaries do not have the resources to enter the Shared Ownership Scheme, assistance through the provision of a rented property is made available. These are the majority of those seeking housing assistance, and in 2009 we assisted 73 people, which accounted for around 25% of those retiring from the stipendiary ministry. In total we assist in excess of 1,200 households through the rental scheme.

The scheme is flexible with beneficiaries being initially offered the choice of the small number of vacant properties. Where one is not available or is not suitable, in the area of their choice, the Board will consider purchasing a property for them. This is with a range of specified criteria including a maximum purchase price of £200,000 (£225,000 in the SE counties). In total 54 properties were purchased in 2009. A property in North Wales bequeathed to the Board was also transferred to the rental scheme.

	2009	2008
Number of New Properties	54	49
Total Purchase Price	£9.2m	£9.3m
Average Purchase Price	£170,000	£189,000

The rental properties are inspected every five years by surveyors to ensure that they are in a good state of repair and maintenance. Beneficiaries pay a rent towards the Board's cost of maintaining the property and the cost of financing the purchase of the property.

The rent payable by the beneficiary is capped at 30% of their (joint) gross income from all sources. Occupants are asked to complete a financial questionnaire annually from the date of occupation to ensure that those not meeting the full costs of providing the property are paying an appropriate amount within the terms of the scheme.

The amount required to subsidise beneficiaries where the property running costs exceeds the capped rent is met by the Archbishops' Council who in turn levy contributions upon dioceses as part of their central apportionment. Where the property is purchased directly by the Board without financing costs, no notional interest is included in the running costs of those properties. This represents a subsidy from the Board's funds and a saving on the Vote 5 budget of around £1.5m per annum.

Mortgage Schemes

The mortgage schemes are closed to new applicants.

A fixed-interest mortgage scheme was in operation until 31 December 1982. Beneficiaries paid interest only on the mortgage advanced. Since 1982 there have been a small number of advances made. Repayments of £40,000 were received during 2009 and 26 loans were outstanding at the end of the year.

The value-linked mortgage scheme closed on 31 March 2008. Beneficiaries paid an interest-only element on the advanced sum, and the sale proceeds, when the property was sold or the mortgage redeemed, were divided between the beneficiary and the Board in the same proportions as when the loan was advanced. Repayments of £8.1m were received during 2009 and 1,250 loans were outstanding at the end of the year.

Supported Housing and Nursing Care

The Pensions Board has been providing supported housing since 1948.

Since its beginnings in Worthing over 60 years ago for 22 residents, it now provides places for some 260 people in seven supported housing schemes, and a nursing home.

Our purpose is to create Christian retirement communities that enable their residents to maximise their independence whilst providing support and facilitating access to the care services that they need. We provide this service in recognition that there are some of our beneficiaries who no longer feel comfortable with living by themselves or who find it increasingly difficult to maintain and manage a home of their own. It also recognises that after a lifetime of service to the Church, they may wish to continue living within a community where the liturgical and spiritual life of the Church of England is central.

Our supported housing schemes not only provide residents with a self-contained flat but also include a chapel, dining facilities, libraries, other meeting spaces, and communal grounds, in a safe and secure environment.

A promotional DVD is available upon request highlighting each of the supported housing schemes including the Manormead nursing home.

This service needs to be sustainable in the long term, and throughout 2009 we have focused on refining the service that we offer. We are consulting each resident on an individual basis to agree a Support Plan that provides them with the appropriate level of assistance, recognising that this will change from time to time. We are also changing the way we provide catering. This will allow residents to opt out of taking the breakfast or evening meal if they wish to provide for themselves.

From October 2009, for six months, we conducted a trial operation at Ramsay Hall, Worthing

where emergency night-cover was provided by a local specialist call centre, Chichester Careline, rather than through having staff sleeping on-site each night. The trial was to evaluate whether this would be sufficient to meet the needs of our residents.

Throughout the period, we collected information and feedback, through meetings and personal interviews, from the residents at Ramsay Hall on their experience of using the service. We also ensured that the residents at the other schemes were kept fully informed of developments and progress to allay any concerns that they may have.

We listened seriously to the concerns expressed by residents, but concluded at the end of the trial period, that we did not believe that these concerns were best met as at present by a member of staff sleeping in the building. We are therefore working toward an overnight provision that is appropriate to those actually resident in each scheme, and this may vary from scheme to scheme.

In April 2009 we introduced a revised charging structure where residents pay rent and a service charge, rather than a “fee”. This revised system had already been in place at Manormead following the recently completed refurbishment. Under the system, residents pay a rent plus a charge based on the expected cost of providing the service each year, including a contribution towards the cost of replacing fixtures and fittings such as lifts and communal furnishings. Each year, residents are formally consulted fully on changes to the service charge.

Residents in our schemes may receive a subsidy from the Board’s charitable funds to help them pay the charges; this is dependent on their income and capital resources. Residents who are eligible are also encouraged to seek state benefits. The introduction of a more transparent form of charging has meant that some of our residents have now become eligible for housing and council tax benefit.

The cost of running the schemes is not met fully by the rent and service charges received and shortfalls are met from the charitable funds. In 2009 this amounted to £1.9m (£2.3m in 2008).

One area for which the Board has not previously made any provision is in the specialist care of those of our beneficiaries who are suffering from dementia. It is estimated that one in five people over the age of 80 experiences the symptoms of dementia, and the effects of dementia can be very distressing for the person concerned as well as for their family and friends.

Early in 2010 the Board decided to explore the possibility of converting part of its Manormead Nursing Home into a specialist dementia care unit with places for six beneficiaries. The unit is being designed with features which can aid those with dementia including a secure, sensory garden area promoting interest and stimulation. Subject to formal Board approval, it is hoped that the unit will open by the end of 2010.

The Board is exploring what further provision and assistance it can make in this area.

Other Homes

The primary responsibility for assistance with fees for those living in residential and nursing homes not operated by the Board lies with the local authorities, social services departments and primary care trusts. The Board has been able to assist a small number of beneficiaries with financial help within certain limits. The total cost of providing such help in 2009 was £85,000.

Financial Review

The provision of retirement housing, including supported housing and nursing care to our beneficiaries is costly.

The Charitable Funds hold investments of £28.3m the majority of which are invested in the CBF Church of England Funds. Detailed information on the performance of the funds is set out on page 13. Total investment income for the year was £1.3m.

This is not sufficient to cover the services we provide and we remain very grateful to everyone who has contributed towards our work during the course of 2009. Without the generous gifts, donations and legacies received, we would not be able to offer the scale of services currently provided.

Gifts for the Board's discretionary work are used to support the charitable activities set out on the preceding pages, for the benefit of clergy pensioners in need and their dependants.

Donations were received from PCCs, individuals (including our own beneficiaries) and from charitable trusts. In 2009 these amounted to £586,000, including £34,000 raised in response to our special appeal launched in 2008 to celebrate 60 years of retirement housing provided by the Board, over a quarter of which came from parishes supporting the appeal.

	2005 £000	2006 £000	2007 £000	2008 £000	2009 £000
PCCs	23	21	14	16	14
Charitable Trusts	50	171	120	124	87
Donations	109	72	74	58	56
Appeals	22	-	-	14	34
	454	*264*	*208*	*212*	*191*
Legacies	620	284	623	289	165
Properties bequeathed	200	200	-	225	230
Total	**1,274**	**748**	**831**	**726**	**586**

In particular, the Board would like to thank for their generous support:

- The Home of Devenish for its continued support towards our work, and two other charitable trusts who wished to remain anonymous.
- The estate of the late Archdeacon Charles Forder. The Archdeacon died in 2008, aged 101, and had been resident in one of our supported housing schemes for many years formerly with his late wife.
- The estate of the late Mrs Barbara Muir, who bequeathed a share of the sales proceeds of her property.
- Other clergy widows who bequeathed part of their estates to the Board's work, including the late Mrs Ina Dodson, the late Mrs Jean Martin and the late Mrs Joyce Pedley.
- The parishes and church members who have contributed despite difficult economic times and increased calls on their limited resources.

A bequest of property to house our beneficiaries is greatly appreciated. These properties may provide a welcome addition to the rental housing that we can provide to clergy pensioners who need housing assistance.

During 2009 we received the gift of a bungalow in North Wales. The property (shown left) was suitable for use by a clergy couple who were seeking a home in the area in which to retire.

Our website includes details of how you can make a donation, or include the Board in your Will.

Reserves Policy

The Board has considered the level of reserves which should be maintained within the charitable funds. Such reserves are needed to cover, for example, working capital, the risk of possible shortfalls in income and other contingencies. Whilst the reserves are considered sufficient for our current activities, the policy is being reviewed in the context of the new financing arrangements for the CHARM scheme.

Independent auditors' report to the Church of England Pensions Board on the Charitable Funds and Trusts

We have audited the financial statements of the Charitable Funds and Trusts of the Church of England Pensions Board (the "Board") for the year ended 31 December 2009 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Board and auditors

The Board's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Board's Responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Board as a body in accordance with Regulation 24 of The Charities (Accounts and Reports) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the information given in the Board's Annual Report is not consistent with those financial statements, if the charity has not kept sufficient accounting records, if the charity's financial statements are not in agreement with these accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only all of the information listed on the contents page of the Board's Annual Report relevant to the charity's activities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent charity's affairs as at 31 December 2009 and of the group's incoming resources and application of resources, including its cash flows, for the year then ended; and
- the financial statements have been prepared in accordance with the Charities Act 1993.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

30 June 2010

The Charitable Funds and Trusts of The Church of England Pensions Board

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Unrestricted 2009 £'000	Restricted 2009 £'000	Total 2009 £'000	Total 2008 £'000
Incoming resources					
Incoming resources from generated funds					
Voluntary income					
Donations and gifts		191	-	**191**	544
Legacies and property donated		395	-	**395**	514
Income from investments and deposits	7	1,312	-	**1,312**	1,420
Incoming resources from charitable activities					
Subsidies and grants receivable	12	3,485	-	**3,485**	3,394
Properties let under licence	5e	5,093	-	**5,093**	5,017
Mortgage loans - interest receivable	5e	3,584	-	**3,584**	3,754
Shared ownership		-	100	**100**	4
Supported housing schemes and nursing home fees	6b	2,111	1,986	**4,097**	4,010
Other incoming resources					
Gains on sales of housing scheme properties		2,185	-	**2,185**	2,609
Total incoming resources		18,356	2,086	**20,442**	21,266
Charitable expenditure					
Costs of generating funds					
Costs of generating voluntary income (page 86)		(108)	-	**(108)**	(92)
Charitable activities					
Grants payable	2.12	(288)	-	**(288)**	(334)
Shared ownership		(51)	(139)	**(190)**	-
Properties let under licence	5e	(8,298)	-	**(8,298)**	(8,492)
Mortgage loans - interest on borrowings and loan costs	5e	(4,533)	-	**(4,533)**	(4,506)
Supported housing schemes and nursing home		(3,083)	(2,948)	**(6,031)**	(6,262)
Investment property costs		(54)	-	**(54)**	(57)
		(16,307)	(3,087)	**(19,394)**	(19,651)
Governance costs		(103)	-	**(103)**	(87)
Total resources expended		(16,518)	(3,087)	**(19,605)**	(19,830)
Net incoming/(outgoing) resources before transfers and other recognised gains/(losses)		1,838	(1,001)	**837**	1,436
Net transfers between funds	13,14	(1,001)	1,001	-	-
Net incoming/(outgoing) resources		837	-	**837**	1,436
Other recognised gains/(losses)					
Taxation		-	-	-	(2)
Losses on revaluation of fixed assets for charity's own use	6a	-	-	-	(2,694)
Gains/(losses) on investment assets	7	2,936	-	**2,936**	(9,359)
Net movement in funds		3,773	-	**3,773**	(10,619)
Fund balances at 1 January		87,366	-	**87,366**	97,985
Fund balances at 31 December	1	91,139	-	**91,139**	87,366

The Charitable Funds and Trusts of The Church of England Pensions Board

CONSOLIDATED BALANCE SHEET – 31 DECEMBER 2009

	Notes	Consolidated Total 2009 £'000	Consolidated Total 2008 £'000	Charity Total 2009 £'000	Charity Total 2008 £'000
Fixed assets					
Tangible assets					
Freehold and leasehold properties let under licence	5c	**109,240**	104,961	**109,240**	104,961
Mortgage loans receivable	5c	**64,594**	68,095	**54,296**	57,515
Freehold nursing home and residential schemes	6a	**19,938**	20,477	**19,938**	20,477
Investments	7	**28,265**	26,130	**28,265**	26,130
		222,037	219,663	**211,739**	209,083
Current assets					
Debtors - falling due within one year	8	**5,099**	1,680	**15,399**	11,563
Cash at bank and in hand		**5,958**	4,366	**5,178**	4,366
		11,057	6,046	**20,577**	15,929
Creditors – amounts falling due within one year	9	**(5,320)**	(2,974)	**(4,552)**	(2,295)
Net current assets		**5,737**	3,072	**16,025**	13,634
Total assets less current liabilities		**227,774**	222,735	**227,764**	222,717
Creditors – amounts falling due after one year	10	**(136,635)**	(135,369)	**(136,635)**	(135,369)
Net assets	1	**91,139**	87,366	**91,129**	87,348
Capital and reserves		**91,139**	87,366	**91,129**	87,348

Signed on behalf of the Board

Dr Jonathan Spencer
Chairman

Tim Hind
Vice Chairman

Shaun Farrell
Secretary & Chief Executive

30 June 2010

The Charitable Funds and Trusts of The Church of England Pensions Board

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

		2009 £'000	2008 £'000
Surplus/(deficit) for the year per statement of financial activities		**3,773**	(10,619)
Adjustments for items related to investing activities			
Property and shares donated		**(230)**	(225)
Surplus on sale of housing scheme properties		**(2,185)**	(2,609)
Change in market value of residential schemes and nursing home		**-**	2,694
Surplus on sale of investments		**(551)**	(911)
Change in market value of investments		**(2,385)**	10,270
Amortisation of leasehold properties		**49**	77
Amortisation of homes buildings and fixtures and fittings		**555**	924
		(4,747)	10,220
Net cash movement on debtors and creditors		**(1,186)**	483
Net cash (outflow)/inflow from operating activities		**(2,160)**	84
Capital expenditure and financial investment			
Rental properties	- purchases	**(10,553)**	(11,184)
	- sales	**8,640**	6,058
Mortgage loans	- advances	**-**	(1,499)
	- repayments	**3,501**	6,097
	- non cash items	**-**	(3,908)
Residential schemes	- new building works	**-**	(2)
	- fixtures and fittings	**(16)**	(61)
Investments	- sales	**-**	2,000
Investment properties	- purchases	**-**	(6)
	- sales	**801**	-
Net cash inflow/(outflow) from investing activities		**2,373**	(2,505)
Net cash outflow before financing		**213**	(2,421)
Financing			
Net cash received/(paid) on loans from:			
Church Commissioners			
for rental properties		**4,054**	3,878
for mortgages		**(380)**	1,302
for mortgages to Graingers		**(2,295)**	(1,192)
Net cash inflow on financing		**1,379**	3,988
Increase in Cash		**1,592**	1,567
Net cash resources at 31 December 2008		**4,366**	2,799
Net cash resources at 31 December 2009		**5,958**	4,366

Notes to the financial statements of the Charitable Funds and Trusts

1. Basis of preparation of financial statements

The financial statements of the Charitable Funds and Trusts administered by the Board are combined in these financial statements. The financial statements of the individual funds and trusts, being the General Purposes Fund and the Clergy Retirement Housing Trust, can be requested from The Church of England Pensions Board.

In 1995, the Board acquired a subsidiary company, CEPB Developments Ltd., which handled the development of various homes. In 2005, the Board acquired another subsidiary, CEPB Mortgages Ltd., a company limited by guarantee, which is handling all new mortgage advances. The financial statements of these 100% owned subsidiaries are consolidated with the General Purposes Fund in these financial statements.

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in February 2005.

2. Statement of accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value and certain assets at valuation, and on the basis of the following accounting policies which have been consistently applied.

2.1 Freehold and leasehold properties

(a) Cost or valuation

All properties are shown at original cost to the Board except for:

(i) properties received as a gift which are included at the value placed on them by the Board when received;

(ii) properties purchased with the help of a diocesan or other grant which are included at net cost to the Board;

(iii) capitalised building works. When the cost of works to a property in a calendar year exceeds £5k, 40% of the excess cost attributable to the improvement of the property is capitalised.

(b) Amortisation

(i) No provision is made in these financial statements for the depreciation of freehold properties as the Board considers that their current values are greater than the amounts included in these financial statements (see note 5(d)).

(ii) Leasehold properties are amortised on a straight line basis over the lesser of the life of the lease and 100 years.

2.2 Mortgage loans - interest

(a) Loans are shown at cost.

(b) Interest receivable and payable on mortgage loans is accrued when interest is due under current payment terms.

2.3 Nursing home and residential schemes

The nursing home and residential schemes are included in the financial statements at existing use value as at 31 December 2009. The Board obtained a valuation from surveyors Knight Frank as at

31 December 2008 to support the valuation, which has not materially changed since that date. The properties were individually valued at market value in accordance with the Appraisal & Valuation Manual issued by the Royal Institution of Chartered Surveyors. The Board has made a provision for depreciation of the nursing home and residential schemes in accordance with FRS15 with effect from 1 January 2006 (note 6(a)).

Fixtures and fittings are capitalised at cost or valuation and are amortised on a straight line basis over ten years.

2.4 Restricted funds

These consist of the income and expenditure of the shared ownership scheme (except for costs associated with the purchase of a property) and a proportion of the income and expenditure of the residential schemes from 1 April 2009 except for Manormead which commenced in 2008.

2.5 Investments

(a) Basis of valuation

Investments are valued at their closing mid-market prices at 31 December.

(b) Investment and deposit income

Investment and deposit income for the year comprises dividends receivable in the year to 31 December and interest accrued for the year to 31 December.

(c) Gains and losses on investment assets

Gains and losses on investment assets represent - (i) the profits or losses realised on the sale of investments during the year, plus (ii) the movement in the value of investments held during the year resulting in unrealised gains and losses.

2.6 Donations, gifts, legacies and properties donated

Donations, gifts, legacies and properties donated are included in the year of receipt. As at 31 December 2009 legacies, including properties, totalling £12k (2008: £102k) were expected from estates where probate had already been granted. These have not been included in the accounts as the residual values are estimated, additional costs may arise and there is potential for the will to be challenged and additional beneficiaries to appear.

2.7 Incoming resources from charitable activities

The majority of the income receivable is in respect of housing provision for retired clergy. Beneficiaries in the CHARM scheme pay a maintenance contribution for properties occupied under licence. Those beneficiaries who have opted to take out mortgages are charged interest on the loan. Occupants of the nursing home and supported accommodation pay fees that contribute to the Board's costs. Subsidies and grants receivable are given in detail in note 12.

2.8 Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category.

2.9 Governance costs

Expenditure under this heading includes Board members' expenses, a proportion of salary costs related to governance, internal audit charges and other related general office costs associated with governance.

2.10 Management and administration costs

Management and administration costs include expenditure on the administration of the charity and compliance with constitutional and statutory requirements, and an appropriate apportionment of indirect costs.

2.11 Subsidies of the Board's activities

The Archbishops' Council, from money provided by dioceses, meets, in respect of (i) properties let under licence, the excess of direct expenditure and interest payable over maintenance contributions receivable, and (ii) value linked mortgages, the contributions made towards borrowers' legal and other professional costs. The Church Commissioners meet the equivalent costs for those who resigned under the Ordination of Women Legislation (OWL).

2.12 Grants Payable

Grants are payable to augment the income of those retired clergy and clergy widow(er)s whose income falls below a certain standard (the standard is reviewed annually). There are 144 grants in payment at the end of 2009 (2008: 158).

2.13 Pensions

Pension benefits for managerial staff are provided by a defined benefit scheme (note 4). This scheme is considered to be a multi-employer scheme within FRS 17: Retirement Benefits paragraph 9(b). Pension benefits for other staff are provided by a defined contribution scheme. For each scheme the amounts charged in the statement of financial activities in respect of staff pension costs are the contributions payable in the year.

2.14 Irrecoverable VAT

This is included within the associated expenditure items.

3. Staff numbers

The average number of staff employed in the Board's homes was 197 (2008: 202). All members of staff earned less than £60k during the financial year.

4. Staff Pensions

For staff in the Board's homes pensions are provided through the Church Workers Pensions Fund. Managerial staff are members of the Defined Benefits section of the fund, but as the fund is effectively a pooled arrangement for a wide variety of lay employees of the Church of England, the actuary has advised that it would be very difficult to determine the Board's share of the underlying assets and liabilities of the fund. Consequently he has advised that the arrangement should be treated as a defined contribution scheme for the purposes of the pensions reporting standard FRS 17. In the year contributions of £128k were paid in respect of 16 current members of the fund of which £37k relates to deficit funding. There are also 13 former members of staff with deferred benefits from the scheme. Other staff in the homes are entitled to pension benefits from the Defined Contributions section of the fund, after a qualifying period of service. In 2009 contributions of £54k were paid in respect of 83 employees. 76 former members of staff have preserved benefits in the fund. Fuller details of the fund are given on pages 51 to 54 of this report.

The latest actuarial valuation for the fund was performed at 31 December 2007. This valuation showed an overall deficit on the scheme of £23.7m. The number of staff whose benefits have been secured through employment with the Charitable Funds was 28 at 31 December 2009. This compares to the total membership of the fund of 7,624.

5. Housing schemes

The Board's charitable funds and trusts provide housing accommodation and mortgage finance for its beneficiaries, under the provisions of The Church of England Pensions Measures 1961 to 2003 and the Ordination of Women (Financial Provisions) Measure 1993.

(a) The greater part of the housing assistance provided since January 1983 is arranged through the Housing Scheme, which is run with the financial support, for capital purposes, of the Church Commissioners. The Commissioners provide loan capital to the Board to enable it to finance the purchase of properties and to grant mortgage loans. Such loans carry the right of the Commissioners, on the sale of properties or on the redemption of the mortgages, to share any gains or losses in the values of the relevant properties by reference to the capital sum advanced as a proportion of the initial value of the property

In addition to these arrangements:

(i) Some Diocesan Boards of Finance have assisted the Board with purchases on similar terms to those made with the Commissioners.

(ii) The Commissioners have continued to finance the pre-1983 mortgage scheme.

(b) At 31 December 2009 the numbers of properties and mortgage loans under administration were:

	Rental Properties Number	Mortgages Number	Shared Ownership Number
Within the 1983 Housing Scheme:			
Church Commissioners with equity sharing interests	845	1,309	39
Diocesan Boards of Finance and Others with equity sharing interests	43	1	-
The Board with 100% interests	394	25	1
Managed on behalf of other Church bodies	19	-	-
	1,301	1,335	40
Others - non-equity sharing mortgages	-	25	-
	1,301	1,360	40

(c) The properties let under licence and the mortgage loans receivable and payable, whether under the shared ownership scheme (see page 25 for further details), the CHARM scheme for retired clergy or the scheme under the legislation for the ordination of women (OWL), are as follows:

	Shared Ownership £'000	CHARM £'000	OWL £'000	2009 Total £'000	2008 Total £'000
Properties					
Cost or valuation 1 January 2009	1,293	102,682	2,043	**106,018**	98,058
Additions in the year	1,280	9,273	-	**10,553**	10,959
Value of donated property	-	230	-	**230**	225
Disposals	-	(6,391)	(64)	**(6,455)**	(3,224)
31 December 2009	2,573	105,794	1,979	**110,346**	106,018
Amortisation					
1 January 2009	-	995	62	**1,057**	980
Charge for the year	-	106	12	**118**	113
Disposals	-	(61)	(8)	**(69)**	(36)
31 December 2009	-	1,040	66	**1,106**	1,057
Net book value 31 December 2009					
Freehold	2,573	94,521	1,553	**98,647**	95,207
Leasehold	-	10,233	360	**10,593**	9,754
	2,573	104,754	1,913	**109,240**	104,961
Mortgages receivable					
Mortgage loans receivable 31 December 2009	-	64,255	339	**64,594**	68,095
	2,573	169,009	2,252	**173,834**	173,056
Mortgages payable					
Related loans payable to Church Commissioners (note 10)					
Property let under licence	-	68,125	1,979	**70,104**	67,330
Mortgage loans/Shared Ownership	2,533	62,782	339	**65,654**	67,049
	2,533	**130,907**	**2,318**	**135,758**	**134,379**

(d) The Board annually makes a general valuation review of all properties (including those owned by Trusts) and mortgage loans. The basis of the valuation is open market value, assuming vacant possession (at the date of disposal or redemption), using original cost increased in line with building society indices, less 15% to allow for the fact that the properties are occupied and could not be sold with vacant possession.

The review made as at 31 December 2009 gave an approximate value for all properties and mortgage loans of £349 million (2008: £376 million), compared with their net book value of £174 million (2008: £173 million). Summary details are:

	Book Value £M	Estimated Market Value £M
Freehold and leasehold properties	109	205
Mortgage loans receivable	65	144
	174	**349**
Financed by:		
Church Commissioners	136	269
Board and others	38	80
	174	**349**

(e) The operating deficit in respect of the properties let under licence is met almost completely by subsidies from the Archbishops' Council. However, the calculation of these subsidies does not include the income and expenditure for the properties owned by the Board's Trusts and amortisation of leasehold properties funded by Church Commissioners' loans, nor is any allowance made for interest on the capital invested in the schemes by the Board.

	CHARM £'000	OWL £'000	2009 Total £'000	2008 Total £'000
Properties let under licence				
Direct expenditure				
Repairs and maintenance	(2,384)	(49)	**(2,433)**	(3,278)
Water, insurance, management fees and general expenses	(1,409)	(30)	**(1,439)**	(672)
Administration and management charge (page 86)	(917)	(20)	**(937)**	(884)
Amortisation	(46)	(4)	**(50)**	(78)
	(4,756)	(103)	**(4,859)**	(4,912)
Interest on loans	(3,340)	(99)	**(3,439)**	(3,630)
	(8,096)	(202)	**(8,298)**	(8,542)
Income				
Residents' maintenance contributions	4,997	96	**5,093**	5,017
Subsidy from Archbishops' Council (note 12)	3,074	-	**3,074**	3,010
Interest subsidy from Archbishops' Council (note 12)	101	-	**101**	50
Subsidy from Church Commissioners (note 12)	-	99	**99**	124
Subsidy from Church Army (note 12)	22	-	**22**	20
Net surplus/(cost) to the Board	98	(7)	**91**	(321)
Mortgage loans				
Interest payable	(3,703)	(13)	**(3,716)**	(3,709)
Contributions to borrowers' fees	(68)	-	**(68)**	(179)
Administration and management charge (page 86)	(749)	-	**(749)**	(618)
	(4,520)	(13)	**(4,533)**	(4,506)
Interest receivable	3,571	13	**3,584**	3,754
Net (expenditure)/income	(949)	-	**(949)**	(752)

6. Freehold nursing home and residential schemes

(a) Capital values.

All of the buildings in service as at 31 December 2009 were re-valued by Knight Frank at 31 December 2008, on the basis of open market value of the properties, including fixtures and fittings, for existing use purposes

A summary of the movements for the year is as follows:

	Land Total £'000	Buildings Total £'000	Fixtures and Fittings £'000	Total £'000
Cost or valuation at 1 January 2009	4,371	16,714	3,018	**24,103**
Additions in year	-	-	16	**16**
Re-valuation and provisions	-	-	-	**-**
Cost or valuation at 31 December 2009	4,371	16,714	3,034	**24,119**
Amortisation at 1 January 2009	-	(1,315)	(2,311)	**(3,626)**
Provision for year	-	(390)	(165)	**(555)**
Re-valuation and provisions	-	-	-	**-**
Amortisation at 31 December 2009	-	(1,705)	(2,476)	**(4,181)**
At cost	-	-	16	**16**
At valuation	4,371	15,009	542	**19,922**
Net book value at 31 December 2009	4,371	15,009	558	**19,938**
Net book value at 31 December 2008	4,371	15,399	707	**20,477**

(b) Revenue costs

The local costs, including staff costs, of running the Board's residential schemes and nursing home are borne by both the Charitable Funds and residents of the residential schemes (in the form of service charges) and were as follows:

	2009 £'000	2008 £'000
Expenditure in schemes/home of the Board		
Staff costs	**(2,813)**	(3,096)
Food	**(363)**	(317)
Repairs, maintenance and other costs	**(1,186)**	(1,137)
Administration expenses (page 86)	**(1,029)**	(643)
Amortisation of fixtures and fittings	**(555)**	(924)
	(5,946)	(6,117)
Contributions to beneficiaries' fees in other homes	**(85)**	(145)
	(6,031)	(6,262)
Income		
Fees receivable	**4,097**	4,010
Net cost	**(1,934)**	(2,252)

The average number of staff employed at the schemes/home during the year was 197 (2008 - 202), of whom 68 (2008 - 71) were full-time.

7. Investments of Charitable Funds and Trusts

As at 31 December 2009, the investments of the Charitable Funds and Trusts comprised the following:

	2009 £'000	2008 £'000
At 1 January	**26,130**	37,483
Additions	**-**	6
Disposals	**(801)**	(2,000)
Net gain/(loss) on revaluation	**2,936**	(9,359)
At 31 December	**28,265**	26,130
The Investments are held as		
CBF Investment Funds	**27,823**	25,438
The Charities Official Investment Fund units	**133**	133
UK Government stock	**19**	19
Property	**290**	540
Total	**28,265**	26,130

The CBF Investment Funds are held within the CBF Church of England funds managed by CCLA Investment Management Ltd

Income from investments and deposits was as follows:

	2009 £'000	2008 £'000
Dividends receivable from investments	**1,293**	1,287
CBF deposit interest	**1**	78
Rental income	**8**	-
Bank interest	**10**	55
Total	**1,312**	1,420

8. Current assets

	Consolidated		Charity	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade debtors	**4,993**	1,639	**5,022**	1,639
Other debtors	**106**	41	**70**	41
Subsidiary companies	**-**	-	**10,307**	9,883
Total	**5,099**	1,680	**15,399**	11,563

9. Creditors – amounts falling due within one year

	Consolidated		Charity	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade creditors	**4,192**	2,181	**4,039**	2,181
Other creditors	**513**	114	**513**	114
Subsidiary companies	**615**	679	**-**	-
Total	**5,320**	2,974	**4,552**	2,295

10. Creditors – amounts falling due after more than one year

	2009 £'000	2008 £'000
Loans from Church Commissioners (see note 5c)	**135,758**	134,379
Other creditors	**877**	990
Total	**136,635**	135,369

11. Subsidiary Companies

These financial statements include the financial statements of two subsidiary companies, CEPB Developments Ltd, the share capital of which is 100% owned by the Board and CEPB Mortgages, a company limited by guarantee. They have been consolidated line by line with those of the General Purposes Fund.

In the year to 31 December 2009 the companies had a combined turnover of £483k (2008: £432k) and made a loss of £5k (2008: profit of £4k) of which £nil (2008: £nil) is payable to the Board under a Deed of Covenant.

12. Subsidies and grants receivable

The analysis of subsidies and grants receivable was as follows:

	2009 £'000	2008 £'000
Subsidies of housing schemes by Archbishops' Council		
Properties let under licence (note 5(e))	**2,157**	2,153
Contributions by Archbishops' Council to administration costs (page 86)	**917**	859
Contributions by Church Commissioners to grants	**189**	188
Contributions by Church Commissioners to administration costs (page 86)	**20**	25
Contributions by Church Commissioners to OWL property costs (page 86)	**79**	99
Contributions by Archbishops' Council towards rented property interest costs	**101**	50
Subsidy from the Church Army	**22**	20
Total	**3,485**	3,394

13. Unrestricted funds

These funds represent the unrestricted funds of The Church of England Pensions Board for general use in meeting in meeting the Board's responsibilities which are not designated for any particular purpose

Transfers from unresticted to restricted funds:

£962k was transferred to the service charge accounts of the residential schemes to meet the Board's liability to cover the cost of empty flats and to subsidise residents on low incomes

£39k was transferred to the service charge accounts of the occupiers of shared ownership properties to meet the Board's share of certain legal expenses

14. Restricted funds

These are funds which represent the income and cost of service charges for the residential housing schemes and the shared ownership scheme for which the Board acts as Trustee for the residents of these schemes.

15. Capital commitments

At 31 December 2009 the following expenditure has been sanctioned but not spent:

Housing Schemes (principally financed by the Church Commissioners):	**Sanctioned and committed £'000**	**Sanctioned but not committed £'000**
Freehold and leasehold property	-	1,581
Shared ownership	-	203

The Church of England Pensions Board: Pension Schemes

The Pensions Board has been administering pension provisions for the clergy since its establishment in 1926 by the Church Assembly.

These powers were subsequently widened such that the Pensions Board now acts as:

- Administrator of the clergy pensions scheme and trustee of the fund providing benefits in respect of service from 1 January 1998;
- Trustee and administrator of
    - the Clergy (Widows and Dependants) Pension Fund
    - the Church Workers Pension Fund
    - the Church Administrators Pension Fund
- Administrator under the Ordination of Women (Financial Provisions) Measure 1994.

In these roles, the Board acts for over 32,000 members across more than 250 sponsoring employers.

St Peter's Church, Eaton Square, London SW1

The Church of England Funded Pensions Scheme (CEFPS)

Introduction

The scheme commenced on 1 January 1998 for the purpose of providing pensions and associated benefits for clergy and others in the stipendiary ministry. Pension benefits arising from service prior to 1998 continue to be financed by the Church Commissioners. The basis of calculating benefits is the same under each scheme. Those with periods of pensionable service both before and after the commencement of the CEFPS receive a single pension payment each month. The relevant parts are, however, identified and accounted for separately.

In July 2007, following a consultation exercise, General Synod approved several changes to the future service benefits under the scheme. The changes took effect on 1 January 2008.

Scheme Rules

The General Synod approved a number of changes to the scheme rules which had been made by the Board during 2009:

- Section 75 of the Pensions Act 1995 (as amended) has the effect that an employer participating in a defined benefit scheme cannot walk away from its liabilities. The Synod approved changes to put in place a "scheme apportionment arrangement" which simplifies matters for schemes such as the CEFPS where there are many "employers".
- The Board was given the power to exclude, from the scheme, people whose membership would be unlawful pursuant to the Occupational Pension Schemes (Cross-border Activities) Regulations 2005.
- A rule change was approved which will allow retiring clergy to give up part of their pension to increase their lump sum. This took effect from 1 January 2010.
- The rules were amended in the light of changes to pension legislation which affected the revaluation of deferred benefits.

A full copy of the scheme rules is available on request.

Archbishops' Task Group

The volatility in markets and difficult economic climate led the Archbishops of Canterbury and York to reconvene the Pensions Task Group. Their task was to consult stakeholders to ensure that adequate provision for the retired clergy was made in a manner that was financially sustainable in the long term. Their recommendations were accepted by the Archbishops' Council and by the General Synod in February 2010. The recommended changes to benefits for future service are subject to a statutory consultation period with scheme members.

If the Archbishops' Council decides to proceed and the General Synod approves scheme rule changes in July 2010, the changes will take effect on 1 January 2011.

Benefits

The main elements of the benefits package for a full service pension on retirement at or after 65 are set out in the table below along with the respective figures for 2009 and 2010.

Full service pension on retirement at or after age 65	1 April 2010	1 April 2009
Archbishops of Canterbury and York	26,972	26,186
Bishop of London	24,275	23,567
Other diocesan bishops	20,229	19,640
Suffragan bishops, deans and archdeacons	16,857	16,366
All clergy, other than those mentioned above, deaconesses and licensed lay workers (2/3 of national minimum stipend for previous year)	13,486	13,093
Full service retirement lump sum (3 x basic pension)	40,458	39,279
Widow(er)s pension on death in service (2/3 of member's prospective pension). Full basic rate	8,991	8,729
Lump sum on death in full time pensionable service before age 65 (3 x national minimum stipend for previous year)	60,690	58,920

The length of service required to achieve full benefits under the scheme rose from 37 years to 40 years on 1 January 2008. The change only affected the accrual of future service benefits from that date.

Pension increases

The rules of the CEFPS, and the regulations governing the previous arrangement funded by the Church Commissioners, provide that increases will be at the rate of RPI up to 5% in respect of benefits from service prior to 1 January 2008 and RPI up to 3.5% in respect of benefits from service from 1 January 2008 onwards. The change in RPI for the period September to September is the reference period for increases in the CEFPS, and for all the schemes for which the Board acts as trustee.

The increase in RPI for the year to September 2009 was negative at -1.4%. Pensions in payment cannot be reduced, and where increases are linked to RPI, those pensions received no increase in April 2010.

Whilst there was no increase arising from indexation, the pension payable has risen by 3% for those retiring in the year commencing 1 April 2010 owing to an increase in the national minimum stipend to which it is linked. The full service pension payable from 1 April 2010 rose from £13,093 per annum to £13,486 per annum.

Pension increases over the last 5 years are set out below

Effective date	% increase in pensions	% increase in RPI *
1 April 2010	0.0	-1.4
1 April 2009	5.0 **	5.0
1 April 2008	3.9 **	3.9
1 April 2007	3.6	3.6
1 April 2006	2.9	2.7

* 12 months to preceding September

** 3.5% for pension arising from service from 1 January 2008

As a result of the changes introduced with effect from January 2008 there is no longer any expectation of discretionary increases unless the fund is in a position to afford it.

Benefits payable

The total benefits payable under the CEFPS in 2009 were £18.1m (£12.7m in 2008). A further £110.4m was paid by the Church Commissioners in respect of pensionable service up to 31 December 1997.

Membership statistics

Details of the membership of the CEFPS at 31 December 2009 are set out in the table below, together with details at December 2008 for comparative purposes.

	At 31 December 2009	At 31 December 2008	% Change
Active Members	8,954	9,115	-1.7
Deferred Members (i.e. scheme members below retirement age but not in pensionable service)	1,757	1,635	1.1
Pensions in payment*	9,318	9,117	2.2
Receiving benefits under the post-1997 CEFPS scheme	*4,152*	*3,777*	*9.9*
Retired at or after the pension age	*5,972*	*5,876*	*1.6*
Retired on disability pension	*1,464*	*1,446*	*1.2*
Retired on reduced pension	*1,882*	*1,795*	*4.8*
Widow(er)s pensions in payments	3,990	3,850	3.6

*Total number of clergy pensioners receiving pensions from both the CEFPS and the pre-1998 scheme.

Death benefits

These lump sum benefits, introduced in 1988, are payable in three circumstances, as set out in the table below. The number of deaths in 2009 remains below the long term average.

	2009	2008
Death in service under pension age	13	8
Death in service over pension age	1	2
Death after disability retirement	2	2
Total	16	12

Actuarial valuation and contributions

The last triennial valuation of the scheme was carried out as at 31 December 2006. The actuarial statement and certificate is set out in Appendix 1.

The valuation revealed that the scheme's "technical provisions" (the amount required to make provision for a defined benefit scheme's past service liabilities) amounted to £609m at the valuation date, compared with a market value of assets of £469m. There was therefore a deficiency of £140m.

In reaching its decision on the contribution rate, the key points taken into account by the Board were:

- The modifications to the benefit structure of the scheme implemented on 1 January 2008;
- Increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- An assumption that, over the long-term, stipends will increase by the increase in the Retail Prices Index plus 1.5%;
- The anticipation that, in view of the scheme's increasing maturity, the investment strategy will gradually change from 100% investment in return seeking assets to 70% in return seeking assets and 30% in liability matching assets in about 20 years' time; with the transition starting within the next ten years;
- The anticipated rate of return on equities being 5.75% per annum and the return on gilts being 4.25%.

The Board set the "recovery period" (the period over which the identified deficit is targeted to be eliminated) at 15 years.

The contribution rate was set at 39.7% of the pensionable stipend.

In the light of the turmoil in global economic markets, and the interim actuarial report as at 31 December 2008, the Pensions Board felt it necessary, pending the recommendations arising from the consultation by the Archbishops' Pensions Task Group consultation, to revisit the assumptions made when the contribution rate of 39.7% was set. As a result of the review, the Board decided that it was necessary to set an interim contribution rate of 45% of the pensionable stipend with effect from 1 January 2010.

In monetary terms, for a member accruing benefits at the basic rate, the pension contribution is

- £7,571 per annum for the period to 31 March 2009
- £7,797 per annum from 1 April 2009 to 31 December 2009
- £8,838 per annum from 1 January 2010 to 31 March 2010
- £9,103 per annum from 1 April 2010

The increase in the monetary terms is a function not only of the change in the contribution rate but also rises in the National Minimum Stipend of 3% for 2008/09 and 1% for 2009/10.

The next full actuarial valuation of the Scheme is being carried out as at 31 December 2009.

Transfers

As prescribed by statutory regulations, all transfer payments, and pensions service credits given for transfers received, were calculated in accordance with the methods and assumptions approved by the Scheme's actuaries.

With effect from 1 April 2009, the Board ceased accepting transfers into the Scheme.

Financial Review

Total contributions for the year amounted to £71.0m. There are 190 "Responsible bodies" participating in the scheme of which 171 pay by direct debit. During the year there were a number of delays in payment of contributions but none that were considered serious enough to warrant a report being made to the Pensions Regulator.

Transfers into the scheme totalled £2.3m for the three month period to 31 March 2009 before they were no longer accepted; and transfers out totalled £0.6m.

The value of the fund at the year end, excluding members' voluntary contributions was, £605.3m.

The Scheme's assets are pooled with the other pension funds' assets in the Church of England Investment Fund for Pensions. The CEFPS held 100% of its assets in the return-seeking pool comprised of equities, property unit trusts, active currency, corporate bonds and cash. The pool produced a total return of 19% for the year.

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 9 to 16.

Full details of the financial position of the scheme are shown in the audited accounts which are set out on pages 62 to 64.

Members' voluntary contributions

Voluntary contributions are not invested in the pooled investment fund. They are invested separately; the vehicles offered are chosen in the light of professional advice with particular regard being given to investment performance and the level of administration costs as well as the financial strength of the company. The position is kept under review by both the Investment Committee and the Board.

Currently, new contributors may choose from two providers:

- Legal and General Assurance Society Limited, and
- The Prudential Assurance Company Limited.

Both providers offer four choices of investment:

- a "with profits" fund
- a "cash" fund
- a "managed" fund, and
- an "ethical" fund.

The last two are unit-linked funds and investment performance reflects market movements at any given time. Under the "with profits" approach, bonus allocations by the insurer are designed to provide some smoothing of shorter-term fluctuations in performance.

All new members are sent details of the voluntary contribution arrangements; current take-up of the option is small.

The fund providers produce annual statements which are passed on to the individual members. At the end of 2009, 1,018 had contributions invested under the voluntary arrangements of whom 460 were current contributors.

Supplementary pensions

At 31 December 2009 there were 221 supplementary pensions in payment to pensioners on low incomes compared with 247 in 2008. The total amount in payment at the year end was £445,000 (£484,000 in 2008). The cost of this provision continued to be met by the Church Commissioners.

Communication with Scheme Members

All new entrants are sent the explanatory booklet *Your Pensions Questions Answered*. This is updated each year and issued to all members, with benefit statements outlining individual prospective benefits at age 65. Copies of benefit statements and the current booklet are available on request, as is information about the benefits payable on retirement at other ages.

Pensioners receive a letter outlining the basis of increases to pensions in payment, together with a note of their own revised pension.

Some theological colleges organise meetings on financial matters, and some dioceses arrange such meetings and also hold pre-retirement seminars. Whilst senior staff are unable to offer financial advice, they do take part in these meetings to outline the retirement provisions under the scheme.

The Board is always considering further ways of improving communication with scheme members.

The Clergy (Widows and Dependants) Pension Fund

The widows fund was closed to new entrants in 1967 and contributions terminated in 1988. At the end of the year, there were 1,288 pensions in payment (1,284 in 2008).

As a result of the actuarial valuation as at 31 December 2006 it was possible to increase pensions and prospective benefits by 10.5% with effect from January 2008. The maximum pension payable under the scheme to the widow of a member ordained after 1947 is now £1,354 per annum.

The next valuation of the Fund is being carried out as at 31 December 2009.

Financial Review

Given that this is a closed scheme, no contributions were received during the year. The total benefits payable in 2009 were £1.5m (£1.5m in 2008).

The value of the fund's assets at the year end was £23.4m.

The Scheme's assets are partly pooled with the other pension funds' assets in the Church of England Investment Fund for Pensions. The Scheme holds 60% of its assets in the return-seeking pool comprised of equities, property unit trusts, active currency, corporate bonds and cash, and 40% in index-linked securities and other deposits funds outside of the CEIFP.

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 9 to 16.

Full details of the financial position of the scheme are shown in the audited accounts which are set out on pages 65 to 66.

Ordination of Women (Financial Provisions) Measure

The Ordination of Women (Financial Provisions) Measure came into effect in February 1994. The Board was appointed to administer the provision "as to the relief of hardship incurred by persons resigning from ecclesiastical service by opposition to the ordination of women as priests, and for connected purposes", and authorised the Church Commissioners to meet the costs.

The Measure defined those who are entitled to apply for three types of provision:

- Housing assistance
- A resettlement grant
- Periodical payments, of specified duration and amount.

It also contained discretionary powers covering the possibility either of additional payments to those eligible for the specific provisions or of payments to those not so eligible. Applications for assistance had to be made by 21 February 2004.

Payments under the Measure cease, in accordance with its provisions, as a result of:

- income from new employment,
- reaching pension age, or
- expiry of the period determined by the stated formula.

At 31 December 2009, of the 441 cases set up since the Measure came into effect, 12 still receive periodical payments.

The housing assistance under the Measure is the same as that available in the Board's CHARM scheme. The numbers seeking assistance with alternative accommodation have continued to be at a low level. When the individual starts to draw his Church pension, he is transferred to the CHARM scheme. On death, his widow would continue to be housed under the CHARM scheme.

In the course of the year, one property was sold under the scheme. In 2009 a revenue shortfall of £100,000 resulting from the subsidy arrangements under the scheme was met by the Church Commissioners.

Church Workers Pension Fund (CWPF)

Introduction

The Scheme was introduced in 1953 and operates as a centralised occupational pension scheme. There are two distinct sections:

- Defined benefits; and
- Defined contributions.

The overall number of employers using these schemes increased to 228, of which 51 participated in the defined benefits section, 138 in the defined contributions section, and 39 employers participated in both.

Scheme Rules

The Board did not make any changes to the Scheme rules during 2009.

In early 2010, it made a rule change to deal with Section 75 of the Pensions Act 1995 (as amended). This piece of legislation has the effect that an employer participating in the scheme cannot walk away from its liabilities. The Board approved changes to put in place a "scheme apportionment arrangement" which simplifies matters for schemes such as the CWPF where there are several employers.

A full copy of the scheme rules is available on request.

Benefits

Under the defined benefits scheme, employers have some flexibility as to the benefit structure they provide.

Those selecting the defined contributions scheme choose the level of contributions paid. Such contributions provide an amount of pension payable at the member's normal pension age (a "deferred annuity") calculated using conversion tables provided by the actuary. Where investment return is not sufficient to meet annuity payments, pension increases granted this way may result in a deficit in this section.

Pension Increases

The defined benefits scheme provides a guarantee that pensions will increase in line with limited price indexation (LPI), with a further provision for discretionary increases up to the full rise in RPI, if the financial position of the fund permits. Benefits arising from service prior to April 2006 increase in line with RPI up to 5% p.a. Benefits arising from service from April 2006 increase in line with RPI up to 2.5%, except that some participating employers have specifically opted to retain the 5% cap.

The increase in RPI in the year to September 2009 was negative at -1.4%. Pensions in payment cannot be reduced, and where increases are linked to RPI, those pensions received no increase.

In the defined contribution scheme, pensions in payment in respect of contributions paid between April 1997 and March 2006 increase in line with RPI up to 5% pa. Pensions in

payment secured by contributions paid from April 2006 increase in line with RPI up to 2.5%. No guarantee applies in the case of pensions in payment in respect of contributions paid before April 1997.

Increases given beyond the guarantees reflect the financial position of the fund. In the light of advice received from the actuary following an improvement in the funding position of the Scheme, the Board decided that a bonus of 2% as at 1 January 2010 could be awarded. No bonus had been awarded for the previous four years. Given that the increase in RPI was negative at -1.4%, all pensions in payment in the defined contribution scheme increased by the 2% bonus.

Benefits payable

The total benefits payable under the CWPF were £10.7m (£9.9m in 2008).

Membership statistics

Details of the membership of CWPF at 31 December 2009 are set out in the table below, together with details at December 2008 for comparative purposes.

	At 31 December 2009	At 31 December 2008	% Change
Active Members	2,482	2,457	1
Deferred Members (i.e. scheme members below retirement age but not in pensionable service)	2,604	2,579	1
Pensions in payment	2,562	2,399	6.8

Over the past ten years, the total membership has increased in excess of 45%.

Actuarial Valuation

The last triennial valuation of the scheme was carried out as at 31 December 2007. The actuarial statement and certificate is set out in Appendix 1.

In reaching its decisions regarding the funding of the Scheme, the key points taken into account by the Board were:

- Increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- An assumption that, over the long-term, future salary increases will be in line with the increase in Retail Prices Index plus 1.75%;
- A reduction in the real rate of return from gilt-edged stocks.

The next full actuarial valuation of the Scheme will be carried out as at 31 December 2010.

Defined Benefits Scheme

The Board's objectives for the defined benefits scheme's valuation are to set an appropriate future contribution policy for the employer sub-sections and to ensure that there are sufficient assets attributed to the Life Risk Pool.

The valuation revealed that the defined benefit scheme's "technical provisions" (the amount required to make provision for a defined benefit scheme's past service liabilities) amounted to £200.3m at the valuation date, compared with a market value of £176.6m. There was therefore a deficiency of £23.7m.

The Board agreed "recovery periods" (the period over which the identified deficit is targeted to be eliminated) with each participating employer. Whilst the majority of employers agreed for a recovery period of 5 years, a 10 year period was agreed with a small number of employers and a 15 year period with one employer.

The deficit in the Life Risk Pool, from which pensions in payment are made, was £5.5m. The bulk of this deficiency was rectified by making a levy on each participating employer's section, related to the amounts transferred to the Life Risks Section in respect of members who have retired.

Revised contribution rates were implemented from 1 January 2009.

Defined Contributions Scheme

The Board's key objectives for the defined contributions scheme valuation are to set appropriate policies for granting future bonuses and for setting premium rates.

The valuation revealed that the defined contributions scheme's "technical provisions" amounted to £61.32m at the valuation date, compared with a market value of £61.36m. There was therefore a very small surplus.

The technical provisions in respect of the defined contributions scheme are calculated on a basis which allows for future bonuses in line with price inflation to be awarded.

In the light of further advice from the Scheme's Actuary, the Board felt that it was possible to award a bonus of 2% from 1 January 2010.

Transfers

As prescribed by statutory regulations, all transfer payments, and pensions service credits given for transfers received, were calculated in accordance with the methods and assumptions approved by the Scheme's actuaries.

With effect from 1 April 2009, the Board generally ceased accepting transfers into the Scheme.

Financial Review

Total contributions for the year amounted to £20.4m. There are 228 employers participating in the scheme of which 187 pay by direct debit. During the year there were a number of delays in payment of contributions; one of these was considered serious enough to warrant a report being made to the Pensions Regulator. The Regulator decided to take no action in the matter.

Transfers into the scheme totalled £0.5m for the three month period to 31 March 2009 before they were no longer accepted; and transfers out totalled £0.8m.

The value of the fund at the year end was £258.7m.

The Scheme's assets are pooled with the other pension funds' assets in the Church of England Investment Fund for Pensions.

Each section of the CWPF aims to hold its assets in the following proportions:

	Return Seeking Pool	Liability Matching Pool
Defined Benefits Scheme (Employer Section)	100%	-
Defined Benefits Scheme (Life Risk Section)	25%	75%
Defined Contributions Scheme	75%	25%

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 9 to 16.

Full details of the financial position of the scheme are shown in the audited accounts which are set out on pages 67 to 68.

Church Administrators Pension Fund (CAPF)

Introduction

This scheme was established in 1985 to provide pensions for the lay staff of the General Synod.

With effect from 1 January 2000, the staff of the national Church bodies and episcopal staff who had previously been covered under the Church Commissioners Superannuation Scheme (CCSS) were transferred to this fund. All liabilities in respect of benefits payable from their pensionable service up to 31 December 1999 remain with the Church Commissioners.

There are two distinct sections:

- Defined Benefits; and
- Defined Contributions.

The defined benefits section of the CAPF was closed to new entrants with effect from 1 January 2006.

Individuals who wish to join the scheme are offered membership of the defined contributions section. The funds are managed by Legal & General and, until 1 January 2010, were administered by Hymans Robertson. On 1 January 2010, the administration was brought in-house.

Scheme Rules

Following a consultation exercise, the Board approved a number of changes to the scheme rules in relation to the Defined Benefits Section for future service with effect from 1 July 2010:

- Replacing the final salary arrangement with one based on career average earnings;
- Future service being on the basis of a pension only, with an accrual rate of 1/125th per year, giving members the option of commuting part into a lump sum up to Inland Revenue limits; and,
- Contracting the Scheme into the State Second Pension.

Benefits

The CCSS was a replica of the Principal Civil Service Pension Scheme, and that basis continues to be applied for calculating benefits for the members who transferred from CCSS for service to 31 December 2007. For other members of the defined benefits section of the scheme the basis of benefits reflects the CCSS with some, relatively minor, differences of detail for service up to 31 December 2007.

Changes in 2008 increased the scheme’s normal pension age from 60 to 65 for service from 1 January 2008, with some other consequential changes to certain other benefits.

Pension Increases

Increases to pensions for those previously in the CCSS are in line with increases in RPI. For other members of the scheme, pension increases are at the discretion of the principal employer, the Archbishops' Council, after discussion with the Board as Trustee, having regard to the requirements of primary legislation.

Whilst it is the intention that pensions should be protected against inflation by granting annual increases in line with RPI, this cannot be guaranteed.

The increase in RPI in the year to September 2009 was negative at -1.4%. Pensions in payment cannot be reduced, and where increases are linked to RPI, those pensions received no increase.

Deferred pensions and lump sums for those who have left service also received no increase on this basis.

Benefits Payable

The total benefits payable under the CAPF were £1.7m (£1.4m in 2008).

Membership Statistics

Details of the membership of the CAPF at 31 December 2009 are set out in the table below, together with details at December 2008 for comparative purposes.

	At 31 December 2009	At 31 December 2008	% Change
Active Members			
Defined Benefits Section	350	390	-10
Defined Contributions Section	185	143	29
Deferred Members (i.e. scheme members below retirement age but not in pensionable service)	333	374	-11
Pensions in payment	344	320	7.5

Actuarial Valuation

The last triennial valuation of the Scheme was carried out as at 31 December 2008. The actuarial statement and certificate is set out in Appendix 1.

The valuation revealed that the defined benefits section's "technical provisions" (the amount required to make provision for a defined benefit scheme's past service liabilities) amounted to £75.2m at the valuation date, compared with a market value of assets of £45m. There was therefore a deficiency of £30.2m.

In reaching its decision on the contribution rate, the key points taken into account by the Board were:

- The modifications to the benefit structure of the defined benefit section to be implemented on 1 July 2010;
- Increasing life expectancy, with the adoption of the most up to date mortality tables, and additional provision for some continuing improvement in the future;
- An assumption that, over the long term, pensionable salaries will increase by the increase in Retail Prices Index plus 2%; and,
- The anticipated rate of return on equities being 5.7% per annum in the calculation of the technical provisions and 6.7% per annum in the recovery plan.

The Board set the "recovery period" (the period over which the identified deficit is targeted to be eliminated) at 15 years.

The future service contribution rate was set at 12.4% with effect from 1 July 2010, with a contribution rate of 23.48% to 30 June 2010.

In addition to the contributions, the employers participating in the Scheme are paying £2m per annum from 1 July 2010 to 30 June 2025, increasing each 1 January in line with general salary inflation, this sum being made by each employer in proportion to pensionable salaries. The Archbishops' Council are also paying further contributions to 31 December 2016, equal to £184,000 for the calendar year 2009 and adjusted each calendar year in line with price inflation. This relates to the scheme deficit in respect of benefits accrued before 1 January 2000.

The defined contributions section has an age-related contribution structure, with the employers contributing between 8% and 15% of pensionable salary depending on the age of the member. In addition to this, for each 1% paid by the member, the employers pay a matching contribution up to a maximum of 3% of pensionable salary.

Transfers

As prescribed by statutory regulations, all transfer payments, and pensions service credits given for transfers received, were calculated in accordance with the methods and assumptions approved by the Scheme's actuaries.

With effect from 1 April 2009, the Board ceased accepting transfers into the defined benefits section of the Scheme.

Financial Review

Total contributions for the year amounted to £4.7m. During the year there were delays in payment of certain contributions; none though were considered serious enough to warrant a report being made to the Pensions Regulator.

Transfers into the scheme totalled £0.2m for the year.

The value of the fund at the year end was £56.5m at 31 December 2009 (£45.7m in 2008).

The Defined Benefits Section's assets are pooled with the other pension funds' assets in the Church of England Investment Fund for Pensions. The CAPF's strategy is to hold 69% of its assets in the Return-Seeking Pool comprised of equities, property unit trusts, active currency, corporate bonds and cash, and 31% in the Liability-Matching Pool, consisting mostly of UK Government Bonds.

Detailed information on the performance and management of the Church of England Investment Fund for Pensions is set out on pages 9 to 16.

Full details of the financial position of the scheme are set shown in the audited accounts which are set out on pages 69 to 70.

The Church of England Pensions Board

Pension Funds – Financial Statements

Independent auditors' reports to the Church of England Pensions Board on the Pension Funds

We have audited the financial statements of the Church of England Funded Pensions Scheme, the Clergy (Widows and Dependants) Pension Fund, the Church Workers Pension Fund, the Church Administrators Pension Fund and The Church of England Investment Fund for Pensions for the year ended 31 December 2009 which comprise the Fund Accounts, the Net Assets Statements and the related notes including the analysis of the Pensions Board's Administration Expenses. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Church of England Pensions Board (the "Board") and Auditors

The Board's responsibilities for obtaining an Annual Report and audited financial statements prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Board's responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Board as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and contain the information required by the relevant legislation. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only all of the information listed on the contents page of the Board's Annual Report relevant to the pensions activities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by or on behalf of the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements of the Church of England Funded Pensions Scheme, the Clergy (Widows and Dependants) Pension Fund, the Church Workers Pension Fund and the Church Administrators Pension Fund give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of these Schemes during the year ended 31 December 2009, and of the amount and disposition at that date of their assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- the financial statements of the Church of England Investment Fund for Pensions give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Fund during the year ended 31 December 2009, and of the amount and disposition at that date of its assets and liabilities;
- the financial statements of the Church of England Funded Pensions Scheme, the Church Workers Pension Fund and the Church Administrators Pension Fund contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996; and
- the financial statements of the Clergy (Widows and Dependants) Pension Fund contain the information specified in the SORP "Financial Reports of Pension Schemes".

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

30 June 2010

The Church of England Funded Pensions Scheme

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £'000	2008 £'000
Contributions			
Members			
Additional voluntary		**774**	733
Employers			
Normal		**60,808**	57,484
Deficit Funding	4	**9,165**	11,254
Augmentations	4	**249**	181
Transfers in			
Individual		**2,293**	685
		73,289	70,337
Benefits and other outgoings			
Pensions		**(9,248)**	(7,622)
Lump sums			
Retirement		**(7,975)**	(4,357)
Death		**(807)**	(760)
Early Leavers		**-**	(264)
Transfers out		**(620)**	(331)
Administration expenses	5, A	**(1,882)**	(1,672)
		(20,532)	(15,006)
Net additions from dealing with members		**52,757**	55,331
Return on Investments			
Bank deposit interest		**45**	130
Appreciation/(depreciation) of units in CEIFP	2	**94,241**	(131,197)
Change in market value of AVCs	3	**1,110**	(1,278)
Net return on investments		**95,396**	(132,345)
Net increase/(decrease) in fund during the year		**148,153**	(77,014)
Net assets at the start of the year		**469,475**	546,489
Net assets at the end of the year		**617,628**	469,475

NET ASSETS STATEMENT

	Notes	2009 £'000	2008 £'000
Investments			
Value of units – In CEIFP	1	**606,687**	458,506
In AVC investments	3	**12,315**	11,983
Investment assets		**619,002**	470,489
Current assets - Debtors	7	**909**	-
Cash		**832**	-
Current liabilities - Creditors	8	**(3,115)**	(1,014)
Net assets at the end of the year		**617,628**	469,475

The notes on pages 63 to 64 and 74 to 75 form part of these Accounts
See note 1 on page 74 for the link to the actuarial position

The Church of England Funded Pensions Scheme

NOTES:

A. Administration expenses of the Church of England Pensions Board are charged as shown on page 86 and referred to in note 4 on page 88.

1. The assets of the Church of England Funded Pensions Scheme (CEFPS) are invested in the Church of England Investment Fund for Pensions (CEIFP), which was established for the pooling of investments of pension schemes administered by the Board. The proportion of CEIFP attributable to the Scheme as at 31 December 2009 was 65.20% (2008: 62.56%). Investment management expenses, based on the market value of the fund, are charged against CEIFP and this pension scheme's share of costs for 2009 amounted to £1,143k (2008: £1,570k).

2. Appreciation and depreciation in the value of units in CEIFP takes account of investment income, tax recoverable and income due but not yet received, as well as realised and unrealised investment gains and losses, and investment management expenses.

3. The Additional Voluntary Contributions by members are separately invested with the Legal and General Assurance Society Limited, the Prudential Assurance Company Limited, or the Equitable Life Assurance Society.

	Value at 01-Jan-09 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31-Dec-09 £'000
Legal and General	5,274	450	(488)	580	5,816
Prudential	4,090	311	(658)	439	4,182
Equitable Life	2,578	15	(368)	91	2,316
	11,942	776	(1,514)	1,110	12,314
Cash in transit for AVCs	41				1
	11,983				12,315

4. Deficit funding contributions are payable at the rate of 5.2% p.a. of pensionable stipend in respect of the funding shortfall, from 1 April 2008 to 31 March 2023 in accordance with the agreed recovery plan.

   Augmentations by employers relate to payments to augment the benefits of retiring members £249k (2008: £181k).

5. The share of the Board's administration expenses relating to clergy pensions, both CEFPS and the arrangements in respect of service prior to 1 January 1998, totalled £1,882k (2008: £1,672k).

6. This scheme has been approved by HM Revenue & Customs for the purposes of Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988 under reference SF49/100157. Since April 2006, this scheme has been a registered pension scheme for the purposes of Part 4 of the Finance Act 2004.

7. Current assets - Debtors

	2009 £'000	2008 £'000
Contributions - Employer	**169**	-
Other	**740**	-
	909	-

8. Current liabilities - Creditors

	2009 £'000	2008 £'000
Unpaid benefits	30	-
Other	3,085	1,014
	3,115	1,014

9. In addition to the pension benefits disclosed above, the following benefits were paid by the Church Commissioners in respect of service prior to 1 January 1998

	2009 £'000	2008 £'000
Clergy pensions (inc supplementary pensions)	77,390	74,126
Widows' and children's pensions	26,650	25,686
Lump sums on retirement	6,394	7,631
	110,434	107,443

Clergy (Widows and Dependants) Pension Fund
FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £'000	2008 £'000
Benefits and other outgoings			
Pensions		**(1,512)**	(1,371)
Lump sums on death		**(4)**	(99)
Net withdrawals from dealing with members		**(1,516)**	(1,470)
Return on Investments			
Appreciation/(depreciation) of units in CEIFP	3	**2,415**	(4,189)
Change in market value		**364**	45
Income from index linked securities		**132**	157
Interest on cash deposits		**51**	86
Investment management fees		**(9)**	(15)
Net return on investments		**2,953**	(3,916)
Net increase/(decrease) in fund during the year		**1,437**	(5,386)
Net assets at the start of the year		**21,983**	27,369
Net assets at the end of the year		**23,420**	21,983
NET ASSETS STATEMENT			
Investments			
Investments	1 & 2	**23,394**	21,891
Current assets - Debtors		**71**	100
Current liabilities – Creditors		**(45)**	(8)
Net assets at the end of the year		**23,420**	21,983

The notes on pages 66 and 74 to 75 form part of these Accounts
See note 1 on page 74 for the link to the actuarial position

Clergy (Widows and Dependants) Pension Fund

NOTES:

1. The analysis of the fund's investments is as follows:

	Value at 01-Jan-09 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31-Dec-09 £'000
Units in Church of England Investment Fund for Pensions (CEIFP)	13,138	-	(32)	2,415	15,521
Index-linked securities (UK quoted)	7,633	-	(2,439)	364	5,558
	20,771	-	(2,471)	2,779	21,079
Investment funds on deposit	1,120				2,315
	21,891				23,394

2. The proportion of the CEIFP units attributable to the Fund as 31 December 2009 was 1.67% (2008: 1.79%). Investment management expenses are charged against the CEIFP and this fund's share of costs for 2009 was £29k (2008: £45k).

3. Appreciation and depreciation in the value of the units in the CEIFP takes account of investment income, including tax recoverable and income due but not yet received, as well as realised and unrealised investment gains and losses and investment management expenses.

4. This fund is now a closed fund. No pension scheme contributions have been receivable since 1 December 1988.

5 The administration costs in relation to the fund have not been separately identified from those of the Church of England Funded Pensions Scheme and are borne by that fund.

6. This scheme has been approved by HM Revenue & Customs for the purposes of Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988 under reference SF49/100157. Since April 2006, this scheme has been a registered pension scheme for the purpose of Part 4 of the Finance Act 2004.

Church Workers Pension Fund

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Defined Contributions Scheme £'000	Defined Benefits Scheme £'000	2009 £'000	2008 £'000
Contributions					
Members					
Normal		383	369	**752**	696
AVCs	3	208	205	**413**	423
Employers					
Normal		2,181	8,773	**10,954**	11,219
Deficit Funding	4	-	8,085	**8,085**	2,704
Augmentation	4	50	171	**221**	371
Transfers in					
Individual		505	17	**522**	168
		3,327	17,620	**20,947**	15,581
Payments					
Pensions		(3,150)	(4,804)	**(7,954)**	(7,469)
Lump sums					
Retirement		(714)	(1,868)	**(2,582)**	(2,245)
Death		(64)	(74)	**(138)**	(200)
Early Leavers		(7)	(4)	**(11)**	(20)
Transfers out		(484)	(301)	**(785)**	(419)
Administration expenses	A	(387)	(509)	**(896)**	(820)
		(4,806)	(7,560)	**(12,366)**	(11,173)
Net (withdrawals)/additions from dealing with members		(1,479)	10,060	**8,581**	4,408
Return on Investments					
Bank deposit interest		6	16	**22**	59
Appreciation/(depreciation) of units	2	8,588	25,571	**34,159**	(44,246)
Net return on investments		8,594	25,587	**34,181**	(44,187)
Net increase/(decrease) in fund during the year		7,115	35,647	**42,762**	(39,779)
Net assets at the start of the year		56,204	159,762	**215,966**	255,745
Net assets at the end of the year		63,319	195,409	**258,728**	215,966
NET ASSETS STATEMENT					
Investments					
Value of units	1	63,505	196,386	**259,891**	215,853
Current assets - Debtors	6	173	1,127	**1,300**	1,029
Current liabilities - Creditors	7	(667)	(475)	**(1,142)**	(916)
Cash		308	(1,629)	**(1,321)**	-
Net assets at the end of the year		63,319	195,409	**258,728**	215,966

The notes on pages 68 and 74 to 75 form part of these Accounts

See note 1 on page 74 for the link to the actuarial position

Church Workers Pension Fund

NOTES:

A. Administration expenses of the Church of England Pensions Board are charged as shown on page 86 and referred to in note 4 on page 88.

1. The assets of the fund are invested in The Church of England Investment Fund for Pensions (CEIFP), which was established for the pooling of the investments of pension schemes administered by the Board. The proportion of the CEIFP units attributable to the fund as at 31 December 2009 was 27.31% (2008: 29.45%). Investment management expenses are charged against CEIFP and this fund's share of costs for 2009 was £475k (2008: £739k).

2. Appreciation and depreciation in the value of units in the CEIFP takes account of investment income, tax recoverable and income due but not yet received, as well as realised and unrealised gains and losses and investment management expenses.

3. The Additional Voluntary Contributions Scheme operates on a deferred annuity basis whereby Additional Voluntary Contributions by members are invested in the Defined Contributions scheme of the fund. Accordingly, the assets held in this respect are pooled with the main fund assets and are not separately identifiable from these assets.

4. Deficit funding contributions are payable in respect of the funding shortfalls at different annual lump sum amounts for each employer over varying periods from 1 January 2009 up to a maximum of 15 years.

   Augmentation contributions by employers relate to payments of back dated service contributions £221k (2008: £140k) (defined contributions scheme £50k (2008: £23k) and defined benefits scheme £171k (2008: £117k)) and to augment the benefits of retiring members of the defined benefits scheme £Nil (2008: £231k).

5. This scheme has been approved by HM Revenue & Costoms for the purposes of Chapter 1 Part XIV of the Income and Corporation Taxes Act 1988 under their reference SF49/3207. Since April 2006, this scheme has been a registered pension scheme for the purpose of Part 4 of the Finance Act 2004.

6. Current assets - Debtors

	2009 £'000	2008 £'000
Contributions - Employer	**1,208**	972
Contributions - Employee	**34**	-
Other	**58**	57
	1,300	1,029

7. Current liabilities - Creditors

	2009 £'000	2008 £'000
Other	**1,142**	916

Church Administrators Pension Fund

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Defined Contributions Scheme £'000	Defined Benefits Scheme £'000	2009 £'000	2008 £'000
Contributions					
Members					
Normal		-	163	**163**	183
Additional voluntary	3	65	144	**209**	255
Employers					
Normal		516	3,019	**3,535**	3,537
Deficit funding	4	-	459	**459**	438
Augmentation	4	1	304	**305**	452
Transfers in		37	140	**177**	14
		619	4,229	**4,848**	4,879
Benefits and other outgoings					
Pensions		-	(1,250)	(1,250)	**(1,054)**
Lump sums					
Retirement		(33)	(314)	**(347)**	(278)
Death		-	(68)	**(68)**	(28)
Early leavers		-	(2)	**(2)**	(6)
Transfers out		(17)	(103)	**(120)**	(140)
Administration expenses	A	-	(345)	**(345)**	(349)
		(50)	(2,082)	**(2,132)**	(1,855)
Net additions from dealing with members		569	2,147	**2,716**	3,024
Return on Investments					
Bank deposit interest		-	5	**5**	14
Appreciation/(depreciation) of units in CEIFP	2	-	7,832	**7,832**	(10,166)
Change in value of units in DC Scheme		228	-	**228**	(108)
Net return on investments		228	7,837	**8,065**	(10,260)
Net increase/(decrease) in fund during the year		797	9,984	**10,781**	(7,236)
Net assets at the start of the year		688	45,014	**45,702**	52,938
Net assets at the end of the year		1,485	54,998	**56,483**	45,702
NET ASSETS STATEMENT					
Investments					
Value of units - In CEIFP	1	-	55,094	**55,094**	45,418
Invested with Legal and General		1,532	-	**1,532**	645
Investment assets		1,532	55,094	**56,626**	46,063
Current assets - Debtors	6	-	536	**536**	21
- Cash		(45)	130	**85**	29
Current liabilities - Creditors	7	(2)	(762)	**(764)**	(411)
Net assets at the end of the year		1,485	54,998	**56,483**	45,702

The notes on pages 70 and 74 to 75 form part of these Accounts

See note 1 on page 74 for the link to the actuarial position

Church Administrators Pension Fund

NOTES:

A. Administration expenses of the Church of England Pensions Board are charged as shown on page 86 and referred to in note 4 on page 88.

1. The assets of the defined benefits scheme of the fund are invested in The Church of England Investment Fund for Pensions (CEIFP), which was established for the pooling of the investments of pension schemes administered by the Board. The proportion of the CEIFP attributable to the fund at 31 December 2009 was 5.83% (2008: 6.20%). Investment management expenses are charged against CEIFP and this fund's share of the costs for 2009 amounted to £105k (2008: £156k).

2. Appreciation and depreciation in the value of units in the CEIFP takes account of investment income, tax recoverable and income due but not yet received, as well as realised and unrealised investment gains or losses and investment management expenses.

3. Additional Voluntary Contributions by members of the defined benefits scheme relate to the purchase by them of added years of benefit. The contributions received in this respect are pooled with the main fund assets and are not separately identifiable from those assets. Additional Voluntary Contributions by members of the defined contributions scheme and the employer contributions are separately invested with the Legal and General Assurance Society Limited.

4. Deficit funding contributions are payable in respect of the funding shortfall, by the Archbishops' Council at £175k p.a. from 1 January 2008 to 31 December 2016, increasing each year in accordance with the Retail Price Index, and by other employers at £262k p.a. from 1 January 2008 to 31 December 2021 increasing annually by 4.9%.

   Augmentation contributions by employers relate to payments to augment the benefits of retiring members.

5. This scheme has been approved by HM Revenue & Customs for the purposes of Chapter 1 Part XIV of the Income and Corporation Taxes 1988 under SF49/259. Since April 2006, this scheme has been a registered pension scheme for the purpose of Part 4 of the Finance Act 2004.

6. Current assets - Debtors

	2009 £'000	2008 £'000
Contributions - Employer	**528**	-
Other	**8**	21
	536	21

7. Current liabilities - Creditors

	2009 £'000	2008 £'000
Unpaid benefits	**219**	-
Other	**545**	411
	764	411

8. In addition to the pension benefits disclosed above, the following benefits were paid by the Church Commissioners in respect of service prior to 1 January 2000

	2009 £'000	2008 £'000
Pensions	**5,117**	5,115
Lump sums on retirement	**429**	341
	5,546	5,456

9. All of the assets (2008 – all) of the Defined Contributions Scheme are allocated to members.

The Church of England Investment Fund for Pensions

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £'000	2008 £'000
Net receipts from member schemes		**64,514**	61,483
Return on investments			
Index-linked interest receivable		**1,471**	1,856
Dividends receivable		**20,161**	24,896
Income from managed funds		**1,749**	2,035
Interest on cash deposits		**797**	2,248
		24,178	31,035
Changes in market value of investments		**117,334**	(218,322)
Investment managers' fees		**(1,748)**	(2,279)
Investment administration cost	A	-	(231)
		139,764	(189,797)
NET INCREASE/(DECREASE) IN THE FUND		**204,278**	(128,314)
INVESTMENT FUND 1 JANUARY		**732,915**	861,229
INVESTMENT FUND 31 DECEMBER		**937,193**	732,915
Represented by:			
INVESTMENTS			
Investment assets	2	**926,664**	709,782
Investment liabilities	2	-	(767)
		926,664	709,015
CURRENT ASSETS			
Current assets - Debtors		**3,337**	5,244
- Cash		**10,173**	19,334
Current liabilities - Creditors		**(2,981)**	(678)
TOTAL NET ASSETS	3	**937,193**	732,915

The notes on pages 72 to 75 form part of these Accounts

Signed on behalf of the Board

Dr Jonathan Spencer
Chairman

Tim Hind
Vice Chairman

Shaun Farrell
Secretary & Chief Executive

30 June 2010

The Church of England Investment Fund for Pensions

NOTES:

A. Administration expenses of the Church of England Pensions Board are charged as shown on page 86 and referred to in note 4 on page 88.

1. The fund was established to allow the pooling of investments of pension schemes administered by the Board.

2 Investments

	Value at 01 Jan 09 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in Market Value £'000	Value at 31 Dec 09 £'000
Fixed interest - UK public sector (quoted)	5,362	31,274	(35,203)	(648)	**785**
Overseas public sector	1,163	9,895	(9,540)	338	**1,856**
UK equities (quoted)	349,989	83,486	(75,325)	91,426	**449,576**
Overseas equities (quoted)	176,879	187,822	(147,403)	18,414	**235,712**
Index-linked securities - UK public sector (quoted)	63,486	109,428	(101,202)	3,572	**75,284**
Index-linked - Overseas public sector	3,488	352	(3,141)	535	**1,234**
Pooled investment vehicles					
Property unit trusts	30,140	910	(670)	(3,216)	**27,164**
Managed currency fund	11,995	111	(1)	(1,065)	**11,040**
Managed corporate bond fund	-	68,000	(24)	7,143	**75,119**
UK unit trusts (unquoted)	3	18	-	(17)	**4**
Derivatives					
Forward foreign currency contracts (see note below)	(767)	-	-	780	**13**
	641,738	491,296	(372,509)	117,262	**877,787**
Investment funds on deposit	67,277	-	(18,472)	72	**48,877**
	709,015	**491,296**	**(390,981)**	**117,334**	**926,664**

Derivatives

	Assets at 31 Dec 09 £'000	Liabilities at 31 Dec 09 £'000	Assets at 31 Dec 08 £'000	Liabilities at 31 Dec 08 £'000
Forward foreign currency contracts	13	-	-	(767)
Net derivatives	13	-	-	(767)

Forward foreign currency contracts

Duration	Currency Bought	Currency Sold	Value of Currency Bought £'000	Value of Currency Sold £'000	Assets at 31 Dec 09 £'000	Liabilities at 31 Dec 09 £'000
1–2 months	GBP	EUR	802	789	13	-

3. Participation in the fund 2009

	RETURN SEEKING POOL		LIABILITY MATCHING POOL		TOTAL
	Units	**£'000**	**Units**	**£'000**	**£'000**
Church Workers Pension Fund					
Defined Benefits Scheme (note 4)	92,736,498	146,309	29,099,659	50,077	**196,386**
General Fund	*69,005,232*	*108,869*		-	***108,869***
Life Risk	*23,731,266*	*37,440*	*29,099,659*	*50,077*	***87,517***
Defined Contributions Scheme	28,049,738	44,254	11,186,855	19,251	**63,505**
Total	120,786,236	190,563	40,286,514	69,328	**259,891**
Church Administrators Pension Fund	28,186,277	44,469	6,173,865	10,625	**55,094**
Clergy (Widows & Dependants) Pension Fund	9,837,670	15,521	-	-	**15,521**
The Church of England Funded Pensions Scheme	384,541,362	606,687	-	-	**606,687**
	543,351,545	**857,240**	**46,460,379**	**79,953**	**937,193**

4. The defined benefit scheme of the Church Workers Pension Fund is split between the general fund and the life risk as these two portions of the fund have different investment strategies.

5. Transaction costs are included in the cost of purchase and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees which total £73k (2008: £79k). In addition to the transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

6. The managed and unitised funds are managed by companies registered in the UK.

Notes to the financial statements of the Investment and Pension Funds

1. Basis of Preparation of Financial Statements

The individual pension schemes that comprise the 'Pension Funds' are as follows:

The Church of England Funded Pensions Scheme

The Clergy (Widows and Dependants) Pensions Fund

The Church Workers Pension Fund

The Church Administrators Pension Fund

The financial statements of the Pension Funds have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007).

The financial statements of the Pension Funds summarise the transactions of the schemes and deal with the net assets at the disposal of the Board. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position, which does take account of such obligations, is dealt with in the statements by the actuary on pages 79 to 84 of the annual report and in the reports on the various activities of the Board within pages 43 to 58, and these financial statements should be read in conjunction with this information. No actuarial valuation is required for the Clergy (Widows and Dependants) Pension Fund.

2. Statement of Accounting Policies

The principal accounting policies, which have been consistently applied, are set out below.

2.1 Investments

The individual pension funds are wholly invested in the Church of England Investment Fund for Pensions, except for the Clergy (Widows and Dependants) Pension Fund, which also has its own segregated investments in index linked bonds and the Church Administrators Pension Fund Defined Contributions scheme which is separately invested in Legal & General managed funds.

(a) Valuation

The investments owned by funds administered by the Board are:

(i) securities listed on UK or other internationally recognised stock exchanges;

(ii) unlisted securities consisting of holdings of property unit trusts.

The listed investments and unit trusts are valued at their closing bid price at 31 December and, where appropriate, foreign currencies are translated into sterling at the rates of exchange on that date.

Unlisted securities are included at the Investment Manager's valuation.

Pooled investment vehicles are valued at the closing bid price if both bid and offer prices are published, or, if single priced, at the closing single price.

Derivative contracts are used to reduce the Funds' exposure to changes in foreign exchange rates and are valued at fair value. The fair value of the forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract. The amounts included in change in market value are the realised gains and losses on closed forward currency contracts and the unrealised gains and losses on open forward currency contracts.

(b) Investment income

Income from equities and any pooled investment vehicles which distribute income, is accounted for on the date stocks are quoted ex-dividend/interest.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value. In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

Income from fixed interest, index-linked securities, cash and short term deposits is accounted for on an accruals basis.

(c) Foreign currencies

Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in the market value of investments.

(d) Expenses

Investment management expenses are accounted for on an accruals basis.

2.2 Pension Funds

(a) Contributions

Normal contributions, both from the members and from the employers, are accounted for on an accruals basis in the month the employee contributions are deducted from payroll.

Employers' augmentation contributions are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, when received.

Additional voluntary contributions from members are accounted for, on an accruals basis, in the month deducted from payroll.

Employers' deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions under which they are paid.

(b) Benefits

Where members can choose whether to take their benefits as a full pension or a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Pension Funds, as appropriate.

(c) Transfers to and from other pension schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers, or payable to the pension schemes of new employers for members who have left the Pension Funds. They are accounted for on a cash basis, or where the Board agreed to accept the liability in advance of receipt of funds, on an accruals basis from the date of the agreement.

3. Employer Related Investments

Other than the late contributions summarised in the Summary of Contributions, there were no other employer related investments.

4. Related Party Transactions

Certain Board members who have retired from service are in a receipt of a pension from the Pension Funds on normal terms.

Other than the above and disclosed elsewhere in these Financial Statements, the Board is not aware of any transactions with related parties that require disclosure in these Financial Statements under Financial Reporting Standard 8 "Related Party Transactions".

Independent Auditors' statement to the Church of England Pensions Board about contributions

We have examined the Summary of Contributions to the Church of England Pensions Board (the "Board") for the year ended 31 December 2009, which is set out on the page following this statement.

Respective responsibilities of the Church of England Pensions Board and Auditors

The Board's responsibilities for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions are set out in the Statement of the Board's Responsibilities.

Our responsibility is to provide a statement about contributions to the Board in accordance with relevant legislation and to report our opinion to you. This report, including the statement about contributions, has been prepared for and only for the Board as a body in accordance with Section 41 of the Pensions Act 1995 and for no other purpose. We do not, in giving this statement, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of statement about contributions

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that contributions reported in the Summary of Contributions have been paid in accordance with the relevant requirements. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Pension Funds and the timing of those payments under the schedules of contributions. Our statement about contributions is required to refer to those breaches of the schedules of contributions which we consider to be material for this statement and which come to our attention in the course of our work.

Statement about contributions to the Pension Funds

In our opinion:

a) the contributions payable to the Church of England Funded Pensions Scheme required by the schedule of contributions during the year ended 31 December 2009 as reported in the Summary of Contributions have in all material respects been paid in accordance with the schedule of contributions certified by the Actuary on 31 March 2008.

b) except for £371,000 of contributions mainly in respect of February 2009 which were received later than the due date, the contributions payable to the Church Administrators Pension Fund required by the schedule of contributions during the year ended 31 December 2009 as reported in the Summary of Contributions have in all material respects been paid in accordance with the schedule of contributions certified by the Actuary on 31 March 2008.

c) except for £135,000 of contributions from a number of employers throughout the year which were received later than the due date, the contributions payable to the Church Workers Pension Fund required by the schedules of contributions during the year ended 31 December 2009 as reported in the Summary of Contributions have in all material respects been paid in accordance with the schedules of contributions certified by the Actuary on 15 March 2006 and 30 March 2009.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

30 June 2010

Church of England Pensions Board

Summary of Contributions payable in the year

During the year, the contributions payable to the Pension Funds by the Members and the Employers were as follows:

	Members £'000	Employers £'000
The Church of England Funded Pensions Scheme		
Required by the schedule of contributions		
Normal contributions	-	60,808
Deficit contributions	-	9,165
Total	-	**69,973**
Other Contributions Payable		
AVCs	774	-
Augmentations of individual members' benefits	-	249
Total (as per Fund Account)	**774**	**70,222**

	Members £'000	Employers £'000
Church Administrators Pension Fund		
Required by the schedule of contributions		
Normal contributions – DB	163	3,019
Normal contributions – DC	-	516
Deficit contributions	-	459
Total	**163**	**3,994**
Other contributions payable		
AVCs – DB	144	-
AVCs – DC	65	-
Augmentations of individual members' benefits	-	305
Total (as per Fund Account)	**372**	**4,299**

In respect of the Church Administrators Pension Fund, contributions totalling £371,000 and numbering 8 instances were paid to the fund later than the dates specified by the schedule of contributions.

	Members £'000	Employers £'000
Church Workers Pension Fund		
Required by the schedule of contributions		
Normal contributions – DB	369	8,773
Normal contributions – DC	383	2,181
Deficit contributions	-	8,085
Total	**752**	**19,039**
Other contributions payable		
AVCs	413	-
Augmentations of individual members' benefits	-	221
Total (as per Fund Account)	**1,165**	**19,260**

In respect of the Church Workers Pension Fund, contributions totalling £135,000 and numbering 33 instances were paid to the fund later than the dates specified by the schedule of contributions.

Signed on behalf of the Trustees

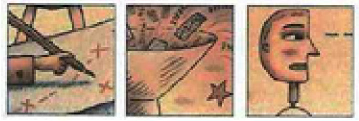
Dr Jonathan Spencer
Chairman

Shaun Farrell
Secretary & Chief Executive

30 June 2010

Appendix 1: Actuarial Certificates

Lane Clark & Peacock
Actuaries & Consultants



Appendix 9

Actuary's certification of the calculation of technical provisions

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2006

Name of scheme **Church of England Funded Pensions Scheme**

Calculation of Technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31st December 2006 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the scheme and set out in the Statement of Funding Principles dated 26th February 2008.

Signature: .... **Date:** 31st March 2008

Name: Martin Slack **Qualification:** FIA

Address: Lane Clark & Peacock LLP
30 Old Burlington Street
London W1S 3NN

Lane Clark & Peacock

Actuaries & Consultants

Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme Church of England Funded Pensions Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31st December 2006 to be met by the end of the period specified in the recovery plan dated 26th February 2008.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 26th February 2008.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:	M R Slack	**Date:**	6th May 2010
Name:	M R Slack FIA	**Qualification:**	FIA
Address:	30 Old Burlington Street London W1S 3NN	**Name of employer:**	Lane Clark & Peacock LLP

Note not forming part of the certification

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the Board's funding assumptions as set out in their statement of funding principles dated 26th February 2008 and their recovery plan dated 26th February 2008 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date. However, I have taken account of contributions payable to the Scheme at 39.8% of pensionable stipends between 1st January 2007 and 31st March 2008.

MRSL/984427/MBM

Lane Clark & Peacock
Actuaries & Consultants

Appendix 8

Actuary's certification of the calculation of technical provisions

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2007

Name of scheme **Church Workers Pension Fund**

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31st December 2007 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Board of the Fund and set out in the Statement of Funding Principles dated 30th March 2009.

Signature: .... **Date:** 30th March 2009

Name: Martin Slack **Qualification:** FIA

Address: Lane Clark & Peacock LLP
30 Old Burlington Street
London W1S 3NN

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Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme The Church Workers Pension Fund

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that:

   the statutory funding objective could have been expected on 31st December 2007 to be met by the end of the period specified in the recovery plan dated 30th March 2009.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 30th March 2009.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:	....	**Date:**	30th March 2009
Name:	Martin Slack	**Qualification:**	FIA
Address:	30 Old Burlington Street London W1S 3NN	**Name of employer:** **(if applicable)**	Lane Clark & Peacock LLP

Notes not forming part of the certification

Qualification where actuarial opinion is not given as at signature date

In giving the above opinion I have interpreted the phrase "could have been expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustees' funding assumptions as set out in their statement of funding principles dated 30th March 2009 and their Recovery Plan dated 30th March 2009 and without any further allowance for adverse contingencies that may arise in the future. My opinion does not necessarily hold in any other scenarios.

Furthermore, I have taken no account of either adverse or beneficial outcomes that have become known to me since the effective date of the valuation. However, I have taken account of contributions that are payable to the Scheme between the effective date of the valuation and the date that I have certified this Schedule as documented in the previous Schedule of Contributions.

Lane Clark & Peacock
Actuaries & Consultants

Appendix 11

Actuary's certification of the calculation of technical provisions

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of Fund **Church Administrators Pension Fund**

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Fund's technical provisions as at 31st December 2008 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the trustees of the Fund and set out in the statement of funding principles dated 26th March 2010.

Signature: M R Slack .... **Date:** 26th March 2010

Name: Martin Slack **Qualification:** FIA

Address: Lane Clark & Peacock LLP
30 Old Burlington Street
London W1S 3NN

Lane Clark & Peacock
Actuaries & Consultants

Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme Church Administrators Pension Fund ("the Fund")

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the Recovery Plan dated 26th March 2010.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 26th March 2010.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

Signature: M R Slack ....**Date:** 26th March 2010

Name: M R Slack....................................**Qualification:** FIA

Address: 30 Old Burlington Street............**Name of employer:** Lane Clark & Peacock LLP
London
W1S 3NN....................................

Notes not forming part of the certification

In giving the above opinion I have interpreted the phrase "can be expected to be met" as being satisfied by consideration of the proposed contributions under the economic and demographic scenario implied by the trustee's funding assumptions as set out in their Statement of Funding Principles dated 26th March 2010 and their Recovery Plan dated 26th March 2010 and without any further allowance for adverse contingencies. My opinion does not necessarily hold in any other scenarios.

MRSL/976316/KES

Appendix 2: List of the Return-Seeking Asset Pool's Largest Holdings

		Market Value 31.12.09 £m	% of Return-Seeking Asset Pool
1	Legal & General £ AAA-AA-A non-Gilt Fund	76.5	9.0%
2	Royal Dutch Shell	41.3	4.8%
3	Northern Trust Global Money Market Fund	33.7	4.0%
4	BP	30.5	3.6%
5	HSBC	28.6	3.4%
6	GlaxoSmithKline	28.4	3.3%
7	Vodafone	20.5	2.4%
8	BHP Billiton	16.9	2.0%
9	AstraZeneca	15.2	1.8%
10	Barclays	12.2	1.4%
11	BG	12.0	1.4%
12	Rio Tinto	11.8	1.4%
13	Auriel Capital ACF2X Fund (GBP Class)	11.0	1.3%
14	Anglo American	10.8	1.3%
15	Reckitt Benckiser	10.0	1.2%
16	Tesco	10.0	1.2%
17	Unilever	9.5	1.1%
18	Standard Chartered	8.3	1.0%
19	UBS Triton Property Fund	7.4	0.9%
20	Total	3.6	0.4%

Appendix 3: Church of England Pensions Board Administration Expenses

EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £'000	2008 £'000
Directly incurred by the Board			
Salaries and employers national insurance		**2,774**	2,317
Audit and accountancy fees	5	**200**	113
Actuarial fees		**285**	410
Legal and third party administration charges	6	**345**	522
Pension levy		**253**	250
Office furniture, equipment and software	3	**770**	106
Other office expenses		**304**	300
		4,931	4,018
Internal Audit costs recharged to other National Church Institutions		**(275)**	-
		4,656	4,018
Shared service costs recharged by other National Church Institutions			
Clergy pay department		**80**	80
Investment department		**58**	40
Finance and resources department		**545**	385
Other departments		**518**	573
		1,201	1,078
Rent and service charges from the Corporation		**363**	357
TOTAL COSTS FOR THE YEAR		**6,220**	5,453
COSTS RECHARGED AS BELOW:			
TO OTHER NATIONAL CHURCH INSTITUTIONS			
Retirement housing	A	**1,198**	859
OWL	A	**25**	25
		1,223	884
WITHIN THE PENSIONS BOARD			
PENSION FUNDS			
Church of England Funded Pensions Scheme	B	**1,871**	1,704
Church Workers Pension Fund – defined benefits scheme	B	**510**	511
defined contributions scheme	B	**391**	333
Church Administrators Pension Fund	B	**344**	353
Church of England Investment Fund for Pensions	B	**-**	231
		3,116	3,132
CHARITABLE FUNDS			
Residential and nursing homes	A	**1,029**	643
Mortgage/Shared ownership scheme costs	A	**749**	697
Charitable funds - fundraising	A	**93**	92
- other	A	**10**	5
		1,881	1,437
TOTAL RECHARGED FOR THE YEAR		**6,220**	5,453

Church of England Pensions Board Administration Expenses

NOTES:

A. The following costs recharged are shown in the Charitable Funds and Trusts:

Archbishops' Council – Retirement housing	page 37, note 5 (e)
Church Commissioners – OWL	page 37, note 5 (e)
Residential and nursing homes	page 38, note 6 (b)
Charitable funds – fundraising	page 29
Charitable funds - Other	page 29

B. The following costs recharged are shown within the respective Fund account:

Church of England Funded Pensions Scheme	page 62
Church Workers Pension Fund – defined benefits scheme	page 67
defined contributions scheme	page 67
Church Administrators Pension Fund	page 69
Church of England Investment Fund for Pensions	page 71

1. Staff numbers

The average number of staff at the Board's offices in Westminster was 61 (2008: 55). The numbers of staff whose emoluments, excluding pension contributions, for the year exceeded £60,000 were:

	2009 Number	2008 Number
£60,000–£70,000	2	2
£70,000–£80,000	-	1
£80,000–£90,000	1	-
£120,000–£130,000	-	1
£130,000–£140,000	1	-

Members of the Board are reimbursed for travel expenses incurred whilst on official business but are not entitled to any other remuneration or allowances. In the year to December 2009, 17 members claimed a total of £8,299 (2008: £10,260).

From 1 January 2009, the Board shares the costs of the shared service departments managed by the Archbishops' Council (AC), the Church Commissioners (CC) and the Board (PB) on behalf of the NCIs. Those departments provide accounting (CC), internal audit (PB), communications (AC), information technology (CC), human resources (AC), legal (AC), records (CC) and office services (CC) to the NCIs. The average number employed was 119 (2008: 119).

On 1 January 2009, control of the Internal Audit department was transferred to the Board from the Archbishops' Council. The cost of this department in 2009 was £352k and includes 6 staff. In addition, the Board's 2 accounts staff were transferred to the shared services accounts department thus increasing the finance and resources department recharge in 2009 by £102k.

2. Staff Pensions

The Board's administration staff were entitled to pensions based on final salary. For service from January 2000 these benefits are provided through membership of the Church Administrators Pension Fund. For service prior to that date the benefits are a charge on the Church Commissioners. The defined benefits section of the fund was closed to new members, and a new defined contribution section introduced, with effect from 1 July 2006. The actuary has advised that as the fund is a pooled fund covering all staff of the National Church Institutions it is not possible to identify the Board's share of the underlying assets and liabilities of the fund. Consequently the entire arrangement should be treated as a defined contributions scheme for the purposes of the pensions reporting standard FRS 17. In the year contributions of £316k (2008: £306k) were paid to the fund, based on a contribution rate of 23.4% of salary (2008: 23.4% of salary) plus a share of payments under the recovery plan agreed between the employers and the Trustees to remove the shortfall in the Fund over 15 years. Contributions of £69k (2008: £57k) were paid to the defined contribution section of the fund. Fuller details of the fund, together with a statement from the actuary, are given on pages 69 to 70, and pages 83 to 84 of this report.

3. Office furniture, equipment and software

This includes costs of the pensions administration software and SAP implementation charged to expenses in the year incurred, and the deprecation on the capitalised costs arising from the implementation of SAP. Costs of £830k have been capitalised during the year and are being depreciated over five years.

4. Basis of calculation of recharges

The administration costs of the Board have been recharged as follows:

a) Staff costs. Each staff member's time is costed on the basis of time spent on areas of activity and charged accordingly;

b) Other costs. These are charged either directly to the activity to which they relate or on a pro rata basis based on salary costings.

5. Audit fees

The fee, including VAT, for audit services for the year was £115k (2008: £104k) and, in addition, there was an under provision and additional fees relating to previous years of £53k (2008: £9k). Fees for other services paid to the auditors during the year amounted to £32k (2008: £73k).

6. Legal and third party administration charges

These costs have reduced due to a reduction in the cost of outsourcing the administration of the Church Administrators Pension Fund Defined Contribution Scheme £20k (2008: £80k) and a reduction in the level of legal advice for the pensions funds £84k (2008: £192k).

Appendix 4: Board Policies

Ethical Investment Policy of the National Church Institutions

Ethical investment considerations form an integral part of the Church of England's witness and mission. Through its ethical investment policy, the Church of England seeks a constructive engagement with the corporate world in order that responsible business practices and high standards of corporate behaviour are encouraged and supported. The Church of England is also mindful of the need to avoid undermining the credibility, effectiveness and unity of the Church's witness by profiting from, or providing capital to, activities that are materially inconsistent with Christian values.

The Ethical Investment Advisory Group (EIAG) of the Church of England carries out ethical investment research on behalf of the three national investment bodies of the Church of England, the Church Commissioners for England, the CBF Church of England Funds, and the Church of England Pensions Board ("the national Church investment bodies"). It develops policy recommendations, which once agreed by the national Church investment bodies, are then communicated to the wider Church. The General Synod, the Archbishops' Council and the Mission and Public Affairs Council are also represented on the EIAG to provide counsel and wider expertise. The legal authority for investment decisions rests solely with the national Church investment bodies, as well as individual parishes, cathedrals, dioceses and other associated Church of England organisations.

The national Church investment bodies are supportive of companies that seek to develop their businesses successfully and sustainably in the interests of shareholders. The use of positive ethical criteria in assessing companies is firmly incorporated within the ethical investment policy through a process of constructive engagement with business. Criteria have been identified across five broad areas as:

- responsible employment practices
- best corporate governance practice
- conscientiousness with regard to human rights
- sustainable environmental practice
- sensitivity towards the communities in which business operates

Companies are monitored according to this Statement of Ethical Investment Policy and, where appropriate, by developing an ongoing dialogue and engagement with them. The national Church investment bodies believe this to be the best means of exercising responsible stewardship and shareholder responsibility and of communicating Church concerns. Disinvestment, if recommended, remains the preserve of each national Church investment body, and is only considered if a company's activities fall outside of the Church's ethical investment policy or if, after sustained dialogue, it does not respond positively to the Church's concerns.

Companies that promote pornography or supply armaments are avoided. Separate media and defence investment policies have been published outlining the criteria employed to determine whether companies breach the Church's policy in these areas.

Investment is also avoided in any company a major part of whose business activity or focus is in the following areas, where this is usually defined as exceeding 25% of Group turnover:

- Gambling
- Tobacco and tobacco-related products
- Alcoholic beverages (manufacture and licensed sale)
- Non-offensive military equipment
- Weekly-collected home credit (doorstep lending)
- Human embryonic cloning

The national Church investment bodies also reserve the right to avoid investment in companies whose management practices they judge to be unacceptable. Given the complexity of many companies, some will have business interests in areas the national Church investment bodies seek to avoid, and these are closely monitored to ensure they meet the Church's broader criteria. Advice may be offered in respect of all classes of asset under management including domestic and international securities, land and real estate.

Environmental policy of the National Church Institutions

The whole of creation belongs to God. As human beings we are part of the whole and have a responsibility to love and care for what God has entrusted to us as temporary tenants of the planet. We are called to conserve its complex and fragile ecology, while recognising the need for responsible and sustainable development and the pursuit of social justice.

Therefore we, the National Church Institutions, with our wide-ranging involvement in issues that have an environmental and ethical dimension, accept an obligation to set an example in the way we conduct our business.

We commit ourselves to assessing the environmental impact of all our activities and to considering, within our trusteeship obligations, ways in which to minimise and mitigate any environmental damage they may cause.

Health and Safety

Together with the other National Church Institutions with whom we are a common employer, we have duties under the Health and Safety at Work Act 1974 and associated legislation to protect the wellbeing of our staff and others affected by our work.

We are committed to achieving high standards of occupational health and safety management both to meet the legal requirements and in the interests of our organisations. People are vital to the organisation and the effective management of occupational health and safety leading to fewer accidents and less sickness absence is an investment, which helps us achieve our purpose.

We consider that occupational health and safety is a management responsibility of equal importance to productivity and quality and fully accept our moral and legal duties to provide a healthy and safe working environment for all our staff.

Equal Opportunities

The National Church Institutions are committed to being an equal opportunities employer and ensuring that all employees, job applicants, customers and other persons with whom we deal are treated fairly and are not subjected to discrimination. We acknowledge that our employees form one community, using their diverse cultures and talents to serve the objectives and purposes of the Church of England.

The values of our organisations are rooted in those of the Church of England and of Christianity more generally. In serving the Church, we seek to preserve a Christian ethos within our organisations without, save for certain posts, requiring that individual members of staff have a particular religious affiliation. We are committed to respecting the dignity and worth of each individual and fostering a climate of tolerance and diversity. These are an integral part of our Christian ethos.

Against that background, our policy is designed to ensure that current and potential employees are offered the same opportunities regardless of their ethnic background, creed or religion (except where it is necessary for us to employ people who are Christian/Anglican or who are in Holy Orders), nationality, ethnic origin, age, gender, sexual orientation, marital status, domestic circumstances, disability or any other characteristic unrelated to the performance of the job. We seek to ensure that no one suffers as a result of discrimination, either directly or indirectly.

We recognise that an effective equal opportunities policy will help all staff to develop to their full potential, which is clearly in the best interests of both our staff and our organisational objectives. We want to ensure that we not only observe the relevant legislation but also do whatever is necessary to provide genuine equality of opportunity. We will continue to provide training to all staff in respect of equal opportunities, racial awareness and diversity.

We expect all of our employees to be treated and to treat others with respect. Our aim is to provide a working environment free from harassment, intimidation, or discrimination in any form which may affect the dignity of the individual.

We further recognise the benefits of employing individuals from a range of backgrounds as this creates a workforce where creativity and valuing difference in others thrives. We value the wealth of experience within the community in which we operate and which we serve and aspire to have a workforce that reflects this.

Appendix 5: The Church of England Pensions Board Members, Senior Staff and Advisers

Members

1 January 2009 to 30 June 2010

The Constitution of the Board is laid down in Section 21(3) of the Clergy Pensions Measure 1961 as amended by the Section 8 of the Pensions Measure 1987.

Board Members

Appointed with the approval of the General Synod, by the Archbishops of Canterbury and York

Dr Jonathan Spencer CB (Chairman)

Appointed by the Archbishops of Canterbury and York

Mr P Hamlyn Williams FCA

Appointed by the Archbishops of Canterbury and York after consultation with the representatives of dioceses

Canon N Sherlock OBE FSI ASIP CCMI
(to 30 June 2009)

Mr D C Froude ACIB
(from 1 July 2009)

Appointed by the Church Commissioners

Mr P W Parker TD FIA

Elected by the House of Bishops of the General Synod

The Rt Revd D S Walker, Bishop of Dudley
(Deputy Vice Chairman from 18 February 2010)

Elected by Members of the Church Workers Pension Fund

Mr I M Clark

Mr C J Peters

Elected by Members of the Church Administrators Pension Fund

Mr J Ferguson
(from 1 January 2010)

Mr R M Stevens
(to 31 December 2009)

Elected by the House of Clergy of the General Synod

The Ven P Ballard

The Revd R G Billinghurst FIA

The Revd P Boughton (from 1 January 2010)

The Revd N Bourne
(from 17 November 2009)

The Revd Canon I E Gooding
(to 31 December 2009)

The Ven H I L Russell
(to 15 September 2009)

Elected by the House of Laity of the General Synod

Mr J Archer
(from 10 December 2009)

Mr S Baynes
(from 1 January 2010)

Dr J G Campbell FCA

Mr A K Fletcher FCII

Canon H A Marsh

Mr T C Hind FCII
(Deputy Vice Chairman from 20 April 2009, Vice Chairman from 18 February 2010)

Mr T J Stevenson AIA APMI
(to 17 October 2009)

Mr I R M Woolf FCIB
(to 31 December 2009)

Elected by Employers participating in the Church Workers Pension Fund or the Church Administrators Pension Fund

The Rt Revd R F Blackburn, Bishop of Warrington (Vice Chairman)
(to 31 December 2009)

Mr C Hawkins

Canon S Newton
(from 1 January 2010)

Secretary and Chief Executive

Mr M G S Farrell FCMI

Senior Staff

Mr L Marshall (Policy and Resources)

Miss L Miller (Housing Manager)

Mr K Parry MIIA (Head of Internal Audit)

Mr A J Williams FPMI (Pensions Manager)

Audit Committee

Mr P Hamlyn Williams FCA (Chairman)

The Revd R G Billinghurst FIA

Dr J G Campbell FCA

Canon H A Marsh

Housing Committee

The Ven H I L Russell (Chairman)
(to 15 September 2009)

The Rt Revd D Walker
(Chairman from 16 September 2009)

The Ven P Ballard
(to 30 August 2009)

Mr I Bate
(co-opted from 19 April 2010)

The Revd N Bourne
(from 10 December 2009)

Mrs J Clarke (co-opted)

Mr A K Fletcher FCII
(from 10 December 2009)

The Revd Canon I E Gooding
(to 31 December 2009)

Mr J Head
(co-opted from 19 April 2010)

Mr P Hamlyn Williams FCA

Investment Committee

Canon N Sherlock OBE FSI ASIP CCMI (Chairman)
(to 30 June 2009)

Mr C Hawkins
(Chairman from 1 July 2009)

The Rt Revd R F Blackburn
(to 31 December 2009)

Mr I M Clark

Mrs D Clarke (co-opted)

Mr A K Fletcher FCII
(from 18 February 2010)

Mr P W Parker TD FIA

Mr C J Peters

Mr M Powell (co-opted)

The Board's Chairman, Vice Chairman and Deputy Vice Chairman are ex-officio members of the Housing and Investment Committees.

Professional Advisers

Actuaries	Lane Clark and Peacock LLP
Investment Advisers	Mercers Ltd
Auditors	PricewaterhouseCoopers LLP
Bankers	Royal Bank of Scotland
Honorary Medical Adviser	Dr Trevor Hudson
Pensions Fund Investment Managers	Auriel Capital Management LLP
	CBREI (from 1 April 2010)
	DTZ Tie Leung (to 30 June 2010)
	GMO UK Limited
	Insight Investment Management (Global) Ltd
	Legal and General Assurance (Pensions Management) Limited
	RCM (UK) Ltd (from 1 July 2009)
	UBS Global Asset Management (to 30 June 2009)
Charitable Funds Investment Managers	CCLA Investment Management Ltd

Appendix 6: Publications Available from the Board

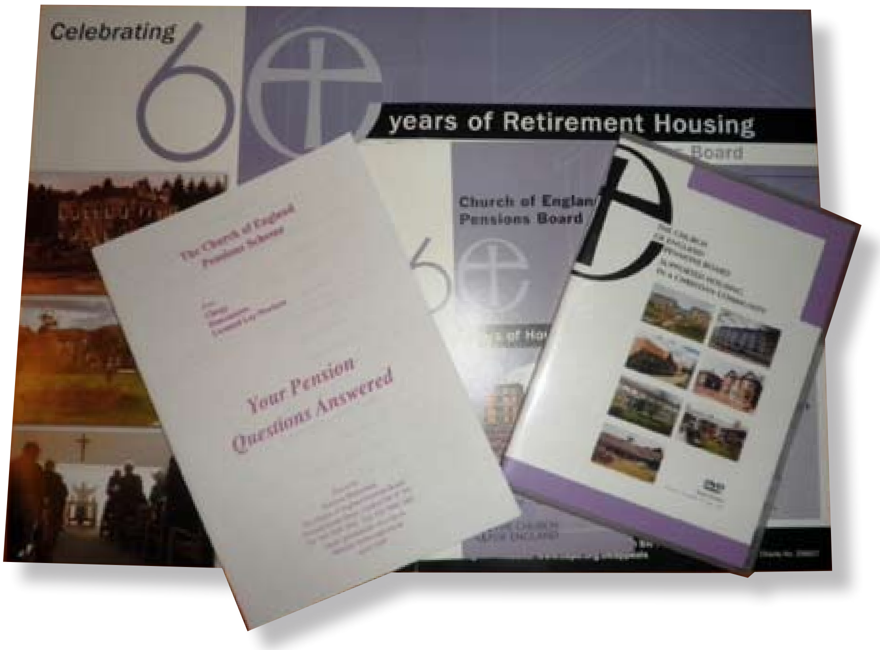
The following publications are available from the Board.

Your Pensions Questions Answered

Information about the pension scheme for clergy, deaconesses and licensed lay workers. This booklet can be downloaded from our website.

Church Workers Pension Fund and Church Administrators Pension Fund

Members' booklets and copies of the Scheme Rules for each pension fund are available on request.



Retirement Housing

Information concerning the assistance which the Board is able to make to clergy, their spouses and surviving partners and also to deaconesses and licensed lay workers for their retirement housing.

This booklet and detailed information about our shared ownership scheme are available to download from our website.

A DVD highlighting the work of our supported housing schemes, and providing a prospective resident with a flavour of what it is like to live at each of the schemes is also available on request.

The Church of England Pensions Board's Annual Report and Accounts for the year to 31 December 2009 have been prepared by the Board. They are presented to the General Synod in accordance with Section 34 of the Clergy Pensions Measure 1961.

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